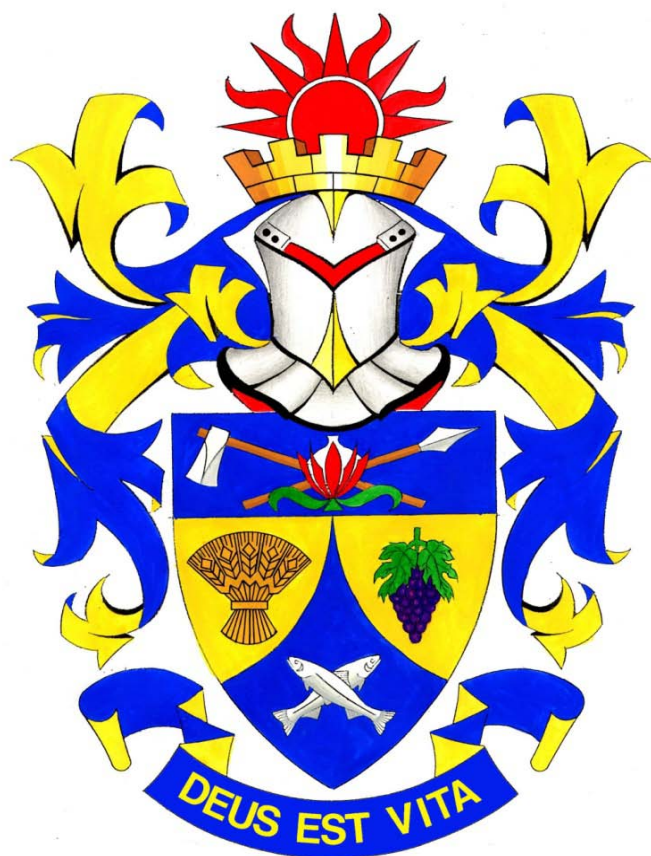


BERGRIVIER

MUNICIPALITY



AUDITED

FINANCIAL STATEMENTS

30 JUNE 2012

BERGRIVIER MUNICIPALITY

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BERGRIVIER MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Bergrivier Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Bergrivier Municipality includes the towns of Piketberg, Porterville, Velddrift, Aurora, Eendekuil and Redelinghuys.

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	EB Manuel
Deputy Executive Mayor	SM Crafford
Executive Councillor	A de Vries
Executive Councillor	RM van Rooy

MUNICIPAL MANAGER

EC Liebenberg

CHIEF FINANCIAL OFFICER

JA van Niekerk

REGISTERED OFFICE

P.O. Box 60
PIKETBERG
7320

AUDITORS

Auditor-General
Private Bag X1
Chempet
7442

PRINCIPLE BANKERS

ABSA Bank

ATTORNEYS

De Villiers Van Zyl
Britz en Pretorius
Swemmer & Levin

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)	The Income Tax Act
Municipal Budget and Reporting Regulations	Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)	Collective Agreements
Municipal Systems Act (Act no 32 of 2000)	Infrastructure Grants
Municipal Planning and Performance Management Regulations	SALBC Leave Regulations
Water Services Act (Act no 108 of 1997)	Division of Revenue Act
Municipal Property Rates Act (Act no 6 of 2004)	Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)	Housing Act (Act no 107 of 1997)
Employment Equity Act (Act no 55 of 1998)	
Unemployment Insurance Act (Act no 30 of 1966)	
Basic Conditions of Employment Act (Act no 75 of 1997)	
Supply Chain Management Regulations, 2005	

BERGRIVIER MUNICIPALITY

MEMBERS OF THE BERGRIVIER MUNICIPALITY

WARD	COUNCILLOR
1	JA Raats
2	WJ Dirks
3	JC Botha
4	RM van Rooy
5	DJ Adams
6	CJ Snyders
7	SM Crafford
Proportional	EB Manuel
Proportional	A de Vries
Proportional	SR Claassen
Proportional	SIJ Smit
Proportional	A Maarman
Proportional	C Snyders

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 85 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.



EC Liebenberg
Municipal Manager

31 August 2012

Date

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON BERGRIVIER MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Bergrivier Municipality set out on pages 1 to 85, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practices (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Inventory

6. The municipality does not have adequate systems in place to maintain records of acquisitions and issues of emergency inventory which resulted in it not being possible to determine the accuracy and completeness of the corresponding figure for this inventory. I was unable to confirm the amounts by alternative means. Consequently, I was unable to

determine whether any adjustments to this amount and accumulated surplus were necessary. My opinion on the current period's financial statements is accordingly modified, because of the possible impact on the inventory older than one year.

Qualified opinion

7. In my opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Bergrivier Municipality as at 30 June 2012 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Significant uncertainties

9. As disclosed in note 46 to the financial statements, an appeal has been lodged to the constitutional court to overthrow a decision by the appeal court making it possible for the municipality to collect all rates.

Restatement of corresponding figures

10. As disclosed in note 35 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of the Bergrivier Municipality at, and for the year ended, 30 June 2011.

Material impairment

11. As disclosed in notes 16 and 17 to the financial statements, the municipality has impaired its receivables by 22.5%.

Material underspending of the capital budget

12. As disclosed in note 40.5 to the financial statements, the municipality has materially underspent the capital budget to the amount of R13,998,297. As a consequence various capital projects were curtailed.

Additional matters

13. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Material inconsistencies in other information included in the annual report

14. The draft annual report has been submitted for review. A number of material inconsistencies between information disclosed therein and the annual performance report were identified. This matter will remain until the adjusted annual report is received and the correction of errors confirmed.

Unaudited supplementary schedules

15. The supplementary information set out on pages 79 to 85 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

16. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

17. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages X to X of the annual report.
18. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.
19. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

Usefulness of annual performance report

20. The National Treasury *Framework for managing programme performance information (FMPPi)* requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 22% (>20%) of the targets were not specific in clearly identifying the nature and the required level of performance. This was due to a lack of adequate standard operating procedures which could describe the specific measurements for the achievement of targets.

Reliability of selected objectives in the annual performance report

21. The National Treasury *Framework for managing programme performance information (FMPPi)* requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy of the actual reported performance relevant to 32% (>20%) of objectives. This was due to limitations placed on the scope of my work by the absence of the institution's records not permitting the application of alternative audit procedures.

Additional matter

22. I draw attention to the matter below. My conclusion is not modified in respect of this matter:

Achievement of planned targets

23. Of the total number of 88 targets planned for the year. 25 of targets were not achieved during the year under review. This represents 28% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

Compliance with laws and regulations

24. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Annual financial statements, performance, and annual report

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Assets

26. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

Budgets

27. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

Expenditure management

28. The accounting officer did not take effective steps to prevent unauthorised expenditure, and irregular expenditure, as required by section 62(1)(d) of the MFMA.

Audit Committee

29. The performance audit committee did not submit at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by Municipal Planning and Performance Management Regulation 14(4)(a)(iii).

Internal control

27. I considered internal control relevant to my audit of the financial statements, performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the performance report and the findings on compliance with laws and regulations included in this report.

Leadership

28. A system to prevent and detect non-compliance with laws and regulations throughout the municipal environment has not been implemented.
29. A system has not been implemented whereby the annual performance report is reviewed quarterly to ensure the information reported in the annual report is consistent and reliable.
30. There was inadequate leadership oversight to ensure that plans to address previous audit findings were monitored. As a result, a number of findings recurred.

Financial and performance management

31. The municipality did not prepare accurate and complete financial and performance reports

that are supported and evidenced by reliable information and relied on consultants for the preparation of its financial statements. The financial records were not adequately reviewed for completeness and accuracy prior to submission for the compilation of the financial statements. This resulted in material errors and omissions in the financial statements not being detected before they were submitted for audit.

32. An adequate system to account for emergency/spares contained in stores were never accounted for in previous years and no system exist to ensure the stock on hand is valid, accurate and complete.
33. The municipality does not have appropriate systems that require monthly reconciliation and that those reconciliations are regularly reviewed to clear reconciling items. Material corrections were made to the property, plant and equipment for assets not previously identified and included in the asset register of the municipality. A reliable asset register has not been implemented which could adequately account for the assets of the municipality.
34. Staff vacancies have prevented attention being given to the annual performance report. The appointment of an official of the municipality with the responsibility for this area only occurred at the end of the financial year.

Auditor-General

Cape Town

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

BERGRIVIER MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R	2011 R
NET ASSETS AND LIABILITIES			
Net Assets		199 788 107	207 111 601
Capital Replacement Reserve	2	1 350 405	2 900 000
Housing Development Fund	2	918 354	1 115 655
Accumulated Surplus/(Deficit)		197 519 348	203 095 946
Non-Current Liabilities		97 267 316	92 211 651
Long-term Liabilities	3	48 196 348	46 344 059
Non-current Provisions	4	26 034 277	26 740 972
Non-current Employee Benefits	5	23 036 690	19 126 620
Current Liabilities		36 946 305	32 194 725
Consumer Deposits	6	2 372 942	2 154 203
Current Employee Benefits	7	7 078 493	6 915 864
Payables from exchange transactions	8	24 076 457	13 558 698
Unspent Conditional Government Grants and Receipts	9	231 111	6 865 432
Taxes	10.1	349 675	-
Operating Lease Liability	18.2	15 152	22 689
Current Portion of Long-term Liabilities	3	2 822 474	2 677 839
Total Net Assets and Liabilities		334 001 728	331 517 978
ASSETS			
Non-Current Assets		272 015 292	265 825 081
Property, Plant and Equipment	11	257 163 622	248 411 782
Investment Property	12	12 426 630	14 546 630
Intangible Assets	13	526 725	435 182
Long-term Receivables	14	1 898 315	2 431 487
Current Assets		61 986 436	65 692 897
Inventory	15	3 979 412	7 069 590
Receivables from exchange transactions	16	24 263 301	19 050 926
Receivables from non-exchange transactions	17	18 659 997	20 365 791
Unpaid Conditional Government Grants and Receipts	9	2 873 479	1 159 110
Operating Lease Asset	18.1	58 417	58 202
Taxes	10.2	-	825 844
Current Portion of Long-term Receivables	14	2 509 561	2 552 734
Cash and Cash Equivalents	19.1	9 642 269	14 610 699
Total Assets		334 001 728	331 517 978

BERGRIVIER MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	2011 R
REVENUE			
Revenue from Non-exchange Transactions		89 042 333	74 929 724
Taxation Revenue		32 976 811	31 023 210
Property taxes	20	32 976 811	31 023 210
Transfer Revenue		56 021 628	42 392 811
Government Grants and Subsidies	21	56 021 628	42 392 811
Other Revenue		43 894	1 513 703
Fines		43 894	1 513 703
Revenue from Exchange Transactions		103 293 962	90 798 127
Service Charges	22	92 893 996	79 926 141
Rental of Facilities and Equipment		2 760 792	2 665 338
Interest Earned - external investments	23	872 517	1 317 129
Interest Earned - outstanding receivables	24	2 546 756	2 392 149
Licences and Permits		1 670 413	1 649 524
Income for Agency Services		950 077	1 368 731
Other Income	25	1 597 164	1 474 843
Unamortised Discount - Interest		2 248	4 272
Total Revenue		192 336 295	165 727 852
EXPENDITURE			
Employee related costs	26	(64 784 495)	(58 607 254)
Remuneration of Councillors	27	(4 094 433)	(3 531 514)
Debt Impairment	28	(2 893 845)	(2 423 262)
Depreciation and Amortisation	29	(15 935 795)	(12 438 280)
Repairs and Maintenance		(2 100 887)	(3 628 840)
Unamortised Discount - Interest		(596 426)	(2 564 888)
Actuarial Losses	5	(2 128 536)	(2 637 035)
Finance Costs	30	(8 566 255)	(7 371 149)
Bulk Purchases	31	(49 037 817)	(40 209 558)
Grants and Subsidies Paid		(1 783 712)	(1 742 803)
Other Operating Grant Expenditure		(23 243 588)	(1 749 016)
General Expenses	32	(24 535 325)	(23 632 353)
Total Expenditure		(199 701 114)	(160 535 951)
Operating Surplus for the Year		(7 364 819)	5 191 901
Gains/(Loss) on Sale of Assets	33	82 338	195 241
(Impairment loss)/Reversal of impairment loss	34	(41 013)	(107 399)
NET SURPLUS/(DEFICIT) FOR THE YEAR		(7 323 494)	5 279 742

BERGRIVIER MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Capital Replacement Reserve	Housing Development Fund	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 July 2010	13 539 700	1 167 198	133 345 919	148 052 816
Correction of Error - note 35.11	-	-	53 779 043	53 779 043
Restated balance	13 539 700	1 167 198	187 124 961	201 831 859
Net Surplus/(Deficit) for the year	-	-	5 279 742	5 279 742
Net Surplus/(Deficit) previously reported	-	-	956 293	956 293
Effects of Correction of Errors - Note 35.12	-	-	4 323 449	4 323 449
Transfer to/from CRR	(3 319 127)	-	3 319 127	-
Property, Plant and Equipment purchased	(7 320 573)	-	7 320 573	-
Transfer to Housing Development Fund	-	(51 543)	51 543	-
Balance at 30 June 2011	2 900 000	1 115 655	203 095 946	207 111 601
Net Surplus/(Deficit) for the year	-	-	(7 323 494)	(7 323 494)
Transfer to/from CRR	9 748 784	-	(9 748 784)	-
Property, Plant and Equipment purchased	(11 298 379)	-	11 298 379	-
Transfer to Housing Development Fund	-	(197 301)	197 301	-
Balance at 30 June 2012	1 350 405	918 354	197 519 348	199 788 107

BERGRIVIER MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Taxation		27 921 487	27 564 538
Sale of goods and services		87 001 796	77 088 837
Grants		47 672 939	48 122 009
Investment Income		3 419 273	3 709 278
Other receipts		11 787 961	8 675 017
Cash payments			
Employee costs		(68 744 868)	(62 138 769)
Suppliers		(85 925 408)	(81 525 703)
Finance costs		(5 381 468)	(4 081 300)
Net Cash from Operating Activities	36	17 751 711	17 413 907
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(26 653 587)	(36 214 567)
(Increase)/Decrease in Intangible Assets		(247 985)	(85 431)
(Increase)/Decrease in Investment Properties		2 202 338	-
(Increase)/Decrease in Long-term Receivables		578 593	(68 303)
Net Cash from Investing Activities		(24 120 640)	(36 368 301)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		3 028 599	13 451 674
Loans repaid		(1 628 100)	(2 319 025)
Net Cash from Financing Activities		1 400 499	11 132 649
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4 968 430)	(7 821 744)
Cash and Cash Equivalents at the beginning of the year		14 610 699	22 432 443
Cash and Cash Equivalents at the end of the year	37	9 642 269	14 610 699
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4 968 430)	(7 821 744)

BERGRIVIER MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The standards are summarised as follows:

REFERENCE	TOPIC
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1 (Revised)	Presentation of Financial Statements
GRAP 2 (Revised)	Cash Flow Statements
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 8	Interests in Joint Ventures
GRAP 9 (Revised)	Revenue from Exchange Transactions
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics
GRAP 11 (Revised)	Construction Contracts
GRAP 12 (Revised)	Inventories

BERGRIVIER MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GRAP 13 (Revised)	Leases
GRAP 14 (Revised)	Events after the reporting date
GRAP 16 (Revised)	Investment Property
GRAP 17 (Revised)	Property, Plant and Equipment
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 (Revised)	Non-current Assets Held for Sale and Discontinued Operations
IGRAP 1	Applying the probability test on initial recognition of exchange revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distribution of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IPSAS 20	Related Party Disclosure
IFRS 4	Insurance Contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IAS 12	Income Taxes
SIC - 21	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC - 25	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC - 29	Service Concessions Arrangements - Disclosures
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 12	Service Concession Arrangements
Directive 5	Determining the GRAP Reporting Framework
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
ASB guide 1	Guideline on Accounting for Public Private Partnerships

BERGRIVIER MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 7 (Revised)	Investments in Associates	1 April 2013
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-exchange Transactions	1 April 2012
GRAP 25	Employee Benefits	1 April 2013
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised)	Agriculture	1 April 2013
GRAP 31 (Revised)	Intangible Assets	1 April 2013
GRAP 103	Heritage Assets	1 April 2012
GRAP 104	Financial Instruments	1 April 2012
IGRAP 16	Intangible Assets – Website Costs	1 April 2013

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective.

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 25	Employee Benefits	Unkonwn

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

BERGRIVIER MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

1.6. PRESENTATION OF BUDGET INFORMATION

GRAP 24: Presenting of Budget Information in Financial Statements is not yet effective. However GRAP 1.15 (Revised) requires a comparison between actual and budgeted amounts. This information has been disclosed in the financial statements.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 18	<u>Segment Reporting</u> Information to a large extent is already included in the notes to the annual financial statements.	Unknown

BERGRIVIER MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GRAP 24	<u>Presentation of Budget Information in Financial Statements</u> Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 105	<u>Transfer of Functions between Entities under Common Control</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	<u>Transfer of Functions between Entities not under Common Control</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	<u>Mergers</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.9. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes both complete and in progress as at 1 April 1998 were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.10. RESERVES

1.10.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The funds in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

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The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

1.11. LEASES

1.11.1. *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.11.2. *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.12. BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.13. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

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1.14. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.15. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.16. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

- a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) a present obligation that arises from past events but is not recognised because:
 - i. it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii. the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. This means:

- Provisions for one-off events are measured at the most likely outcome;
- Provisions for large populations of events are measured at a probability-weighted expected value; and
- Both measurements are discounted (where the effect is material) using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

1.17. EMPLOYEE BENEFITS

(a) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

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Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(e) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.18. PROPERTY, PLANT AND EQUIPMENT

1.18.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of

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property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.18.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.18.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

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	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	5 - 50	Buildings	5 - 50
Pedestrian Malls	20	Specialist vehicles	10
Electricity	6 – 50	Other vehicles	5
Water	3 - 100	Office equipment	5 - 30
Sewerage	5 - 100	Furniture and fittings	5 - 30
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and Equipment	5 - 30
Buildings	5 - 30	Other plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	20
Security	5	Quarries	25
Halls	20-30	Emergency equipment	10
Libraries	20-30	Computer equipment	3
Parks and gardens	20-30		
Other assets	15-20		
<u>Heritage assets</u>			
No depreciation			
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		
Cell phones	2		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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1.18.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.19. INTANGIBLE ASSETS

1.19.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and

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- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.19.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.19.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	5
Computer Software Licenses	5

1.19.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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1.19.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.20. INVESTMENT PROPERTY

1.20.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.20.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.20.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition

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necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.20.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.20.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.21. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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1.22. NON-CURRENT ASSETS HELD FOR SALE

1.22.1. Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.22.2. Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.23. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.23.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the

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asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.23.2. *Non-cash-generating assets*

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.24. INVENTORIES

1.24.1. Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.24.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.25. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

1.25.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.25.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.25.2.1. Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for

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which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.25.2.2. *Payables and Annuity Loans*

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.25.2.3. *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

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1.25.3. De-recognition

1.25.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.25.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.25.4. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.26. REVENUE

1.26.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. It is a subsequent event if the Municipality does not enforce its obligation to collect the revenue. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.26.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. It is a subsequent event if the Municipality does not enforce its obligation to collect the revenue.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

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- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.27. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity is the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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1.28. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.32. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet

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effective. This standard brings new rules in respect of presentation of budget information.

1.33. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 5 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

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For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

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- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 5 days' worth of unused electricity.

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Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.34. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.35. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.36. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R			
2. NET ASSET RESERVES					
RESERVES	2 268 759	4 015 655			
Capital Replacement Reserve	1 350 405	2 900 000			
Housing Development Fund	918 354	1 115 655			
Total Net Asset Reserve and Liabilities	2 268 759	4 015 655			
2.1 The Capital Replacement Reserve is used to finance future capital expenditure from own funds.					
2.2 The Housing Development Fund was established in terms of section 15 (5) and 16 of the Housing Act, Act 107 of 1997. The proceeds in this fund are utilised for housing development projects approved by the MEC. Any surplus/(deficit) on the Housing Department in the Statement of Financial Performance is transferred to the Housing Development Fund.					
3. LONG TERM LIABILITIES					
Annuity Loans - At amortised cost	46 581 429	45 074 692			
Capitalised Lease Liability - At amortised cost	253 150	362 512			
Correction of Error - Note 35.3	-	(3 124)			
	46 834 579	45 434 080			
Less: Current Portion transferred to Current Liabilities	(2 822 474)	(2 677 839)			
Annuity Loans - At amortised cost	(2 656 718)	(2 547 984)			
Capitalised Lease Liability - At amortised cost	(165 757)	(129 854)			
	44 012 104	42 756 241			
Plus: Unamortised charges on loans	4 184 244	3 587 817			
Balance 1 July	3 587 817	1 022 929			
Adjustment for the period	596 426	2 564 888			
Total Long-term Liabilities - At amortised cost using the effective interest rate method	48 196 348	46 344 059			
3.1 The obligations under finance leases are scheduled below:					
	Minimum lease payments				
Amounts payable under finance leases:					
Payable within one year	222 470	227 727			
Payable within two to five years	94 470	294 296			
Payable after five years	-	-			
	316 940	522 023			
Less: Future finance obligations	(63 790)	(159 512)			
Present value of finance lease obligations	253 150	362 511			
The capitalised lease liability consist out of the following contracts:					
Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Telkom SA Ltd	Telephone System	11.88%	0%	36 Months	30/11/2013
Auto Page Cellular	Cell Phones	11.83%	0%	24-28 Months	31/05/2014
Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.					
Leases are secured by property, plant and equipment - Note 11					
4. NON-CURRENT PROVISIONS					
Provision for Rehabilitation of Landfill-sites	26 034 277	26 740 972			
Total Non-current Provisions	26 034 277	26 740 972			

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
4.1 Landfill Sites		
Balance 1 July	26 740 972	21 472 169
Contribution for the year	1 374 686	1 718 137
Change in Provision for Rehabilitation Cost	(2 081 381)	-
Correction of Error - Note 35.2	-	3 550 666
Total provision 30 June	26 034 277	26 740 972
Less: Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	26 034 277	26 740 972

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows

	Porterville	Piketberg	Aurora	Redelinghuys
Footprints (m²)	68 400	112 500	10 400	1 500
Rehabilitation volume (m³)	77 596	125 420	12 401	2 151
Length of Storm water (m)	1 120	1 400	420	160
Preliminary and general (Rand)	1 185 329	1 002 347	256 130	139 783
Site Preparation (Rand)	2 312 154	1 868 583	184 752	32 051
Storm Water Drainage (Rand)	3 207 845	2 803 939	902 094	381 943
Capping (Rand)	2 395 390	1 935 851	191 403	33 205
Other (Rand)	551 250	551 250	551 250	551 250
Contingencies (Rand)	965 197	816 197	208 563	113 823
Fees and expenses (Rand)	1 327 146	1 122 271	286 774	156 507

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

		2012	2011
	Estimated decommission date	R	R
Location			
Porterville	2015	11 944 311	12 470 861
Piketberg	2018	10 100 438	10 506 406
Aurora	2021	2 580 966	2 434 873
Redelinghuys	2024	1 408 563	1 328 833
		26 034 277	26 740 972

5. NON-CURRENT EMPLOYEE BENEFITS

Provision for Post Retirement Health Care Benefits	19 676 220	16 421 151
Provision for Long Service Awards	3 360 470	2 705 469
Total Non-current Employee Benefits	23 036 690	19 126 620

Post Retirement Health Care Benefits

Balance 1 July	17 007 723	13 305 919
Contribution for the year	2 291 563	1 836 159
Expenditure for the year	(687 176)	(612 994)
Actuarial Loss/(Gain)	1 755 718	2 478 639
Total provision 30 June	20 367 828	17 007 723
Less: Transfer of Current Portion to Current Provisions - Note 7	(691 608)	(586 572)
Balance 30 June	19 676 220	16 421 151

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<u>Long Service Awards</u>		
Balance 1 July	2 875 724	2 484 773
Contribution for the year	528 473	544 299
Expenditure for the year	(235 556)	(311 744)
Actuarial Loss/(Gain)	372 818	158 396
Total provision 30 June	3 541 459	2 875 724
Less: Transfer of Current Portion to Current Provisions - Note 7	(180 989)	(170 255)
Balance 30 June	3 360 470	2 705 469

5.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	158	158
Continuation members (e.g. Retirees, widows, orphans)	26	24
Total Members	184	182

The liability in respect of past service has been estimated to be as follows:

In-service members	10 851 773	9 081 144
Continuation members	9 516 055	7 926 579
Total Liability	20 367 828	17 007 723

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R	2009 R	2008 R
In-service members	6 680 307	7 147 644	6 417 788
Continuation members	6 625 612	5 984 865	5 427 006
Total Liability	13 305 919	13 132 509	11 844 794

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonita's
Hosmed
LA Health
Key Health, and
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R1 063 477, whereas the Interest Cost for the next year is estimated to be R1 575 887.

	2012 %	2011 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	7.87	8.64
Health Care Cost Inflation Rate	6.98	7.32
Net Effective Discount Rate	0.83	1.23

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 65 years.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	20 367 828	17 007 723
Fair value of plan assets	-	-
	<u>20 367 828</u>	<u>17 007 723</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability/(asset)	<u>20 367 828</u>	<u>17 007 723</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	17 007 723	13 305 919
Total expenses	1 704 991	1 223 165
Current service cost	846 263	634 475
Interest Cost	1 445 300	1 201 684
Benefits Paid	(586 572)	(612 994)
Actuarial (gains)/losses	1 655 114	2 478 639
Present value of fund obligation at the end of the year	<u>20 367 828</u>	<u>17 007 723</u>

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	-	-
Contributions: Employee	-	-
Past Service Costs	-	-
Actuarial (gains)/losses	-	-
Benefits Paid	-	-
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	10.852	9.516	20.368	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	13.356	10.679	24.035	18%
Health care inflation	-1%	8.894	8.531	17.425	-14%
Post-retirement mortality	-1 year	11.248	9.886	21.135	4%
Average retirement age	-1 year	11.954	9.516	21.470	5%
Withdrawal Rate	-50%	11.887	9.516	21.403	5%

5.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 357 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R386 459 whereas the Interest Cost for the next year is estimated to be R227 672.

Key actuarial assumptions used: % %

i) Rate of interest

Discount rate	6.59	7.85
General Salary Inflation (long-term)	5.96	6.28
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.59	1.47

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 541 459	2 875 724
Fair value of plan assets	-	-
	<u>3 541 459</u>	<u>2 875 724</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
Net liability/(asset)	<u>3 541 459</u>	<u>2 875 724</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	2 875 724	2 484 773
Total expenses	358 218	232 555
Current service cost	309 244	328 940
Interest Cost	219 229	215 359
Benefits Paid	(170 255)	(311 744)
Actuarial (gains)/losses	307 517	158 396
Present value of fund obligation at the end of the year	<u>3 541 459</u>	<u>2 875 724</u>

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contribution: Employer	-	-
Contribution: Employee	-	-
Past service costs	-	-
Actuarial (gains)/losses	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>

Sensitivity Analysis on the Unfunded Accrued Liability

	Change	Liability (Rm)	% change
Assumption			
Central assumptions		3.541	
General salary inflation	1%	3.831	8%
General salary inflation	-1%	3.283	-7%
Average retirement age	-2 yrs	3.067	-13%
Average retirement age	2 yrs	3.985	13%
Withdrawal rates	-50%	4.237	20%

5.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

CAPE JOINT PENSION FUND

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund has a funding level of 98,1% (30 June 2010 - 100%). Whilst this has decreased since the previous actuarial valuation it is still within the Registrar's normally acceptable range of at least a 95% funding level, provided that the previous statutory valuation reflected at least a 100% funding level. Since the fund's financial year end at 30 June 2009, its actuary had been investigating the investment return for the past financial year. It was reported that the established investment return was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets. The pro-rata portion owed by the Municipality was calculated at R1 279 523. Refer to note 7 for provision made.

	2012 R	2011 R
Contributions paid recognised in the Statement of Financial Performance	183 256	148 404

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 116,9% (30 June 2010 - 100,3%).

Contributions paid recognised in the Statement of Financial Performance	4 241 879	1 890 010
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DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

SALA Pension Fund	40 664	15 800
Municipal Councillors Pension Fund	183 256	210 923
IMATU Retirement Fund	-	-
SAMWU National Provident Fund	1 759 663	825 151
	1 983 583	1 051 874

6. CONSUMER DEPOSITS

Water and Electricity	2 372 942	2 154 203
Total Consumer Deposits	2 372 942	2 154 203

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

7. CURRENT EMPLOYEE BENEFITS

Performance Bonuses	-	-
Staff Bonuses	1 813 661	1 548 939
Staff Leave	3 112 712	2 654 349
TASK Evaluation	-	821 799
Shortfall in Cape Joint Pension Fund	1 279 523	1 133 951
Current Portion of Non-Current Provisions	872 597	756 827
Current Portion of Post Retirement Benefits - Note 5	691 608	586 572
Current Portion of Long-Service Provisions - Note 5	180 989	170 255
Total Current Employee Benefits	7 078 493	6 915 865

The movement in current provisions are reconciled as follows:

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
7.1 <u>Staff Bonuses</u>		
Balance at beginning of year	1 548 939	1 447 886
Contribution to current portion	3 279 448	2 944 444
Expenditure incurred	(3 014 727)	(2 843 391)
Balance at end of year	1 813 661	1 548 939

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

7.2 <u>Staff Leave</u>		
Balance at beginning of year	2 654 349	2 455 758
Contribution to current portion	994 026	872 471
Expenditure incurred	(535 663)	(673 881)
Balance at end of year	3 112 712	2 654 349

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

7.3 <u>TASK Evaluation</u>		
Balance at beginning of year	821 799	-
Transfer from non-current	-	-
Contribution to current portion	-	821 799
Expenditure incurred	(821 799)	-
Balance at end of year	-	821 799

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive back pay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

7.4 <u>Shortfall in Cape Joint Pension Fund</u>		
Balance at beginning of year	1 133 951	979 282
Expenditure incurred - MORA Interest	145 573	154 669
Balance at end of year	1 279 523	1 133 951

Actuaries have investigate the investment return of the Fund for the year ended 30 June 2009. It was reported that the established investment return was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets. Provision is made for the pro-rata portion owed by the Municipality.

For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 5 to the Financial Statements.

8. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	14 645 923	7 803 089
Interest Accrued	2 492 913	58 057
Payments received in advance	1 118 140	1 042 318
Retentions	74 944	9 774
Other Creditors	5 298 761	4 254 697
Deposits: Other	445 777	390 763
Total Trade Payables	24 076 457	13 558 698

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include Hall, Builders and Housing Deposits.

	2012 R	2011 R
9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	231 111	6 865 432
National Government Grants	-	261 344
Provincial Government Grants	80 015	6 318 353
District Municipality	46 952	46 952
Other Sources	104 145	238 783
Less: Unpaid Grants	(2 873 479)	(1 159 110)
National Government Grants	(2 330 288)	(57 956)
Provincial Government Grants	(8 037)	(1 101 154)
District Municipality	-	-
Other Sources	(535 154)	-
Total Conditional Grants and Receipts	(2 642 367)	5 706 322

The Unspent Grants are cash-backed. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

10. TAXES

10.1 VAT Payable	349 675	-
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
10.2 VAT Receivable	-	(825 844)

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11. PROPERTY, PLANT AND EQUIPMENT

11.1 30 JUNE 2012

Reconciliation of Carrying Value					
	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying value at 1 July 2011	130 039 937	32 935 999	345 201	85 090 643	248 411 780
Cost	174 601 215	38 438 088	481 098	99 743 411	313 263 812
Original Cost	174 601 215	38 438 088	481 098	99 743 411	313 263 812
Accumulated Depreciation	(44 561 278)	(5 502 089)	(135 897)	(14 652 768)	(64 852 032)
Original Cost	(44 561 278)	(5 502 089)	(135 897)	(14 652 768)	(64 852 032)
Acquisitions	19 805 087	170 392	28 599	4 388 343	24 392 422
Capital under Construction	2 178 010	-	-	83 305	2 261 315
Depreciation	(8 903 685)	(833 952)	(161 417)	(5 880 297)	(15 779 352)
Normal Depreciation	(8 903 685)	(833 952)	(161 417)	(5 880 297)	(15 779 352)
Backlog Depreciation previously not recorded	-	-	-	-	-
Impairment losses	(2 081 381)	-	-	(41 162)	(2 122 543)
Cost	(2 081 381)	-	-	(76 291)	(2 157 671)
Accumulated Depreciation	-	-	-	35 129	35 129
Carrying value at 30 June 2012	141 037 968	32 272 439	212 383	83 640 832	257 163 622
Cost	194 502 931	38 608 480	509 697	104 138 769	337 759 878
Original Cost	194 502 931	38 608 480	509 697	104 138 769	337 759 878
Accumulated Depreciation	(53 464 964)	(6 336 041)	(297 314)	(20 497 937)	(80 596 256)
Original Cost	(53 464 964)	(6 336 041)	(297 314)	(20 497 937)	(80 596 256)

11.2 30 JUNE 2011

Reconciliation of Carrying Value					
	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying value at 1 July 2010	130 854 908	33 322 238	72 700	66 438 078	230 687 924
Cost	168 985 094	38 209 079	168 680	76 279 267	283 642 120
Original Cost	165 240 106	17 334 079	163 987	43 934 542	226 672 714
Correction of Error - Note 35.1	3 744 988	20 875 000	4 693	32 344 725	56 969 406
Accumulated Depreciation	(38 130 185)	(4 886 841)	(95 980)	(9 841 189)	(52 954 196)
Original Cost	(37 477 824)	(4 573 508)	(92 384)	(8 834 658)	(50 978 374)
Correction of Error - Note 35.1	(652 361)	(313 333)	(3 596)	(1 006 531)	(1 975 822)
Acquisitions	2 033 586	229 009	411 674	1 848 303	4 522 572
Capital under Construction	3 582 535	-	-	22 084 622	25 667 157
Depreciation	(6 431 093)	(615 248)	(139 172)	(5 172 961)	(12 358 474)
Normal Depreciation	(6 231 417)	(615 248)	(139 172)	(5 172 961)	(12 158 798)
Backlog Depreciation previously not recorded	(199 676)	-	-	-	(199 676)
Carrying value of disposals	-	-	-	(107 399)	(107 399)
Cost	-	-	(99 256)	(468 781)	(568 037)
Accumulated Depreciation	-	-	99 256	361 382	460 638
Carrying value at 30 June 2011	130 039 937	32 935 999	345 201	85 090 643	248 411 780
Cost	174 601 215	38 438 088	481 098	99 743 411	313 263 812
Original Cost	174 601 215	38 438 088	481 098	99 743 411	313 263 812
Accumulated Depreciation	(44 561 278)	(5 502 089)	(135 897)	(14 652 768)	(64 852 032)
Original Cost	(44 561 278)	(5 502 089)	(135 897)	(14 652 768)	(64 852 032)

Refer to Appendix B for a more detailed disclosure of Property, Plant and Equipment.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
11.3 Assets pledged as security:		
Leased Property, Plant and Equipment of R212 384 is secured for leases as set out in Note 3.		
12. INVESTMENT PROPERTY		
Net Carrying amount at 1 July	14 546 630	14 546 630
Cost	14 546 630	14 512 880
Correction of Error - Note 35.9	-	33 750
Accumulated Depreciation	-	-
Acquisitions	-	-
Disposals	(2 120 000)	-
Depreciation for the year	-	-
Net Carrying amount at 30 June	12 426 630	14 546 630
Cost	12 426 630	14 546 630
Accumulated Depreciation	-	-
Revenue derived from the rental of investment property	55 425	72 491

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

13. INTANGIBLE ASSETS

Net Carrying amount at 1 July	435 182	429 564
Cost	741 924	194 927
Correction of Error - Note 35.8	-	261 571
Accumulated Amortisation	(306 742)	(26 935)
Acquisitions	247 985	85 425
Amortisation	(156 442)	(79 807)
Net Carrying amount at 30 June	526 725	435 182
Cost	989 908	741 924
Accumulated Amortisation	(463 183)	(306 742)

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There age no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
14. LONG TERM RECEIVABLES		
Receivables with repay arrangements - At amortised cost	4 260 680	-
Correction of Error - Note 35.6	-	4 726 272
Sport Club Loans - At amortised cost	24 223	48 900
Housing Loans - At amortised cost	125 526	213 851
	<u>4 410 429</u>	<u>4 989 023</u>
Less: Unamortised Discount on Loans	(2 553)	(4 801)
Balance 1 July	(4 801)	(9 073)
Adjustment for the period	<u>2 248</u>	<u>4 272</u>
	<u>4 407 876</u>	<u>4 984 222</u>
Less: Current portion transferred to current receivables	(2 509 561)	(2 552 734)
Receivables with repay arrangements - At amortised cost	(2 372 276)	-
Correction of Error - Note 35.6	-	(2 314 207)
Sport Club Loans - At amortised cost	(11 759)	(24 677)
Housing Loans - At amortised cost	(125 526)	(213 850)
	<u>1 898 315</u>	<u>2 431 487</u>
Total Long Term Receivables		
15. INVENTORY		
Fuel - At cost	127 235	154 644
Water - At purification cost	66 779	92 895
Spare Parts - At cost	3 785 398	-
Correction of Error - Note 35.10	-	6 822 051
	<u>3 979 412</u>	<u>7 069 590</u>
Total Inventory		
The municipality recognised only purification costs in respect of non-purchased purified water inventory.		
Consumable stores materials written down due to losses as identified during the annual stores counts.	<u>14 694</u>	<u>-</u>
No inventory assets were pledged as security for liabilities.		
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	7 807 900	7 293 472
Water	5 159 640	4 998 199
Housing Rentals	128 693	118 561
Refuse	5 843 681	5 375 500
Sewerage	3 856 242	4 143 848
Other Arrears	7 830 896	7 718 490
Correction of Error - Note 35.4	-	(4 740 815)
Total: Receivables from exchange transactions (before provision)	<u>30 627 052</u>	<u>24 907 255</u>
Provision for Impairments	(6 363 751)	(5 856 329)
Total: Receivables from exchange transactions (after provision)	<u>24 263 302</u>	<u>19 050 926</u>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

Debtors with a total outstanding balance of R4 260 680 (2011 - R4 726 272) have arranged to settle their account over an re-negotiated period. Total payments to the value of R1 888 404 (2011 - R2 412 065) have been deferred beyond 12 months after year end and subsequently included as part of long-term receivables.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	4 380 659	3 496 742
31 - 60 Days	839 264	1 010 707
61 - 90 Days	267 325	241 143
+ 90 Days	2 320 652	2 544 880
Total	7 807 900	7 293 472
<u>(Water): Ageing</u>		
Current (0 - 30 days)	1 096 280	1 055 819
31 - 60 Days	519 521	501 581
61 - 90 Days	322 254	241 458
+ 90 Days	3 221 585	3 199 341
Total	5 159 640	4 998 199
<u>(Housing): Ageing</u>		
Current (0 - 30 days)	4 385	4 093
31 - 60 Days	2 800	2 559
61 - 90 Days	2 499	2 339
+ 90 Days	119 009	109 570
Total	128 693	118 561
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	994 207	887 101
31 - 60 Days	456 076	421 600
61 - 90 Days	290 891	245 543
+ 90 Days	4 102 507	3 821 255
Total	5 843 681	5 375 500
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	542 192	555 186
31 - 60 Days	297 116	270 738
61 - 90 Days	189 420	160 128
+ 90 Days	2 827 514	3 157 795
Total	3 856 242	4 143 848
<u>(Other): Ageing</u>		
Current (0 - 30 days)	4 178 871	94 684
31 - 60 Days	208 214	183 599
61 - 90 Days	167 093	144 302
+ 90 Days	3 276 718	2 555 090
Total	7 830 896	2 977 676
<u>(Total): Ageing</u>		
Current (0 - 30 days)	11 196 594	6 093 626
31 - 60 Days	2 322 991	2 390 785
61 - 90 Days	1 239 482	1 034 914
+ 90 Days	15 867 985	15 387 930
Total	30 627 052	24 907 255

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<u>Reconciliation of Provision for Bad Debts</u>		
Balance at beginning of year	5 856 329	7 195 808
Contribution to provision	813 458	-
VAT provision on contribution	113 884	(26 484)
Bad Debts written off against provision	(419 921)	(1 123 824)
Reversal of provision	-	(189 171)
Balance at end of year	6 363 751	5 856 329

The total amount of this provision is R6 363 751 and consist of:

Services	4 167 699	5 018 860
Other Debtors	2 196 052	837 469
Total Provision for Bad Debts on Receivables from exchange transactions	6 363 751	5 856 329

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	24 193 734	19 138 411
Other Receivables	541 060	5 306 896
Other Receivables	541 060	5 309 775
Correction of Error - Note 35.5	-	(2 879)
	24 734 794	24 445 307
	(6 074 797)	(4 079 516)
Less: Provision for bad debts		
Total Receivables from non-exchange transactions	18 659 997	20 365 791

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

(Rates): Ageing

Current (0 - 30 days)	4 698 741	3 736 937
31 - 60 Days	3 492 289	735 678
61 - 90 Days	839 136	567 521
+ 90 Days	15 163 568	14 098 274
Total	24 193 734	19 138 410

Reconciliation of Provision for Bad Debts

Balance at beginning of year	4 079 516	1 779 149
Contribution to provision	2 080 386	2 612 433
Bad Debts written off against provision	(85 105)	(312 066)
Reversal of provision	-	-
Balance at end of year	6 074 797	4 079 516

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
The total amount of this provision is R6 074 797 and consist of:		
Taxes	6 074 797	4 079 516
Other	-	-
Total Provision for Bad Debts on Trade Receivables from non-exchange transactions	6 074 797	4 079 516

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

18. OPERATING LEASE ARRANGEMENTS**18.1 The Municipality as Lessee**

Operating Lease Asset	58 417	58 202
Reconciliation		
Balance at the beginning of the year	58 202	50 774
Movement during the year	215	7 428
Balance at the end of the year	58 417	58 202
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will pay operating lease expenditure as follows:		
Up to 1 Year	142 780	167 360
1 to 5 Years	217 915	360 695
More than 5 Years	1 471 045	1 471 045
Total Operating Lease Arrangements	1 831 740	1 999 100

This operating lease income determined from contracts that have a specific condition income and does not include leases which has a undetermined conditional income.

18.2 The Municipality as Lessor

Operating Lease Liability	15 152	22 689
Reconciliation		
Balance at the beginning of the year	22 689	34 400
Movement during the year	(7 537)	(11 711)
Balance at the end of the year	15 152	22 689
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	25 723	59 685
1 to 5 Years	25 937	51 660
More than 5 Years	-	-
Total Operating Lease Arrangements	51 660	111 345

This operating lease expenditure determined from contracts that have a specific condition expenditure and does not include leases which has a undetermined conditional expenditure.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
19. BANK ACCOUNTS		
19.1 Cash and Cash Equivalents		
Current Accounts	9 631 299	14 600 999
Cash Floats	10 970	9 700
Total Cash and Cash Equivalents - Assets	9 642 269	14 610 699
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
The municipality has the following bank accounts:		
<u>Current Accounts</u>		
ABSA Bank Limited - Account Number 11 8056 0153 (Primary Bank Account):	9 622 237	14 600 999
ABSA Bank Limited - Account Number 9125 109 603 (Traffic Account):	9 062	-
	9 631 299	14 600 999
<u>ABSA Bank Limited - Account Number 11 8056 0153 (Primary Bank Account):</u>		
Cash book balance at beginning of year	14 600 999	12 165 994
Cash book balance at end of year	9 622 237	14 600 999
Bank statement balance at beginning of year	23 402 932	12 165 994
Bank statement balance at end of year	9 492 184	23 402 932
<u>ABSA Bank Limited - Account Number 91 2510 9603 (Traffic Account):</u>		
Cash book balance at beginning of year	-	293 613
Cash book balance at end of year	9 062	-
Bank statement balance at beginning of year	3 435	293 613
Bank statement balance at end of year	9 062	3 435
<u>Nedbank Bank Limited - Account Number 7881 004 312 (Call Account):</u>		
Cash book balance at beginning of year	-	10 003 836
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	10 003 836
Bank statement balance at end of year	-	-
20. PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	34 673 691	32 470 101
<u>Less:</u> Rebates	(1 696 880)	(1 446 891)
Total Assessment Rates	32 976 811	31 023 210
<u>Valuations - 1 July 2011</u>		
Rateable Land and Buildings	6 886 123 547	6 839 105 742
Residential Property	3 800 101 761	3 763 087 161
Commercial Property	456 755 200	456 226 700
Industrial Property	184 789 150	181 442 150
Public Benefits Organisations	180 281 895	179 371 690
Agricultural Purposes	2 170 019 199	2 170 022 699
State - National/ Provincial Services	3 885 000	3 885 000
Municipal Property	90 291 342	85 070 342
Total Assessment Rates	6 886 123 547	6 839 105 742

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Basic Rate

Residential	0.710c/R
Commercial	0.710c/R
Agricultural	0.107c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential - The first R20 000 on the valuation is exempted.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

21. GOVERNMENT GRANTS AND SUBSIDIES**Unconditional**

Equitable Share	19 898 000	18 735 097
-----------------	------------	------------

Conditional

	36 123 628	23 657 714
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Grants and Donations	36 123 628	23 657 714
Subsidies	-	-

Total Government Grants and Subsidies

56 021 628	42 392 811
-------------------	-------------------

Government Grants and Subsidies - Operating	41 534 608	26 380 822
Government Grants and Subsidies - Capital	14 487 020	16 011 989

Total Government Grants and Subsidies

56 021 628	42 392 811
-------------------	-------------------

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

Equitable share	19 898 000	18 735 097
Administration	-	894 699
Community Parks	125 727	89 667
Council	806 002	-
Electricity	-	1 056 000
Financial Administration	1 210 536	721 213
Housing	19 258 206	9 105 814
Library	3 269 461	553 000
Planning and Development	84 393	76 209
Refuse Removal and Dumping	338 515	1 696 474
Roads and Stormwater	822 893	352 549
Sewerage	9 641 464	8 806 107
Sportgrounds & Swimming Pools	434 852	-
Stormwater Management	131 579	-
Water	-	305 981
Total Government Grants and Subsidies	56 021 628	42 392 811

21.1 Equitable Share

Opening balance	-	(2 223 939)
Grants received	17 589 000	20 959 036
Conditions met - Operating	(19 898 000)	(18 735 097)
Conditions met - Capital	-	-
Conditions still to be met	(2 309 000)	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
21.2 Local Government Financial Management Grant (FMG)		
Opening balance	(57 957)	(336 744)
Grants received	1 250 000	1 000 000
Conditions met - Operating	(1 210 535)	(721 213)
Conditions met - Capital	-	-
Conditions still to be met	(18 492)	(57 957)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

21.3 Municipal Systems Improvement Grant (MSIG)

Opening balance	8 365	72 936
Grants received	790 000	750 000
Conditions met - Operating	(656 160)	(577 258)
Conditions met - Capital	(145 000)	(237 313)
Conditions still to be met	(2 795)	8 365

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

21.4 Municipal Infrastructure Grant (MIG)

Opening balance	252 979	2 668 560
Grants received	9 727 000	8 087 000
Conditions met - Operating	-	-
Conditions met - Capital	(9 979 979)	(10 502 581)
Conditions still to be met	-	252 979

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

21.5 Draught Relief

Opening balance	-	263 308
Grants received	-	-
Conditions met - Operating	-	(263 308)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Housing grant was utilised for the development of erven and the erection of top structures.

21.6 Groundwater - Development

Opening balance	-	42 673
Grants received	-	-
Conditions met - Operating	-	(42 673)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

21.7 Flood damage

Opening balance	-	24 440
Grants received	-	-
Conditions met - Operating	-	(24 440)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The grant was used to repair infrastructure damaged by floods.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
21.8 <u>Expanded Public Works Programme</u>		
Opening balance	-	-
Grants received	581 000	-
Conditions met - Operating	(581 000)	-
Conditions met - Capital	-	-
Conditions still to be met	-	-

The grant was used for job creation.

21.9 <u>Integrated National Electrification Grant</u>		
Opening balance	-	-
Grants received	-	1 056 000
Conditions met - Operating	-	-
Conditions met - Capital	-	(1 056 000)
Conditions still to be met	-	-

The Integrated National Electrification Grant was used for electrification of RDP Houses.

21.10 <u>Housing Grant</u>		
Opening balance	5 424 867	(441 879)
Grants received	13 822 478	14 966 973
Conditions met - Operating	(14 893 341)	(5 255 185)
Conditions met - Capital	(4 362 040)	(3 845 042)
Conditions still to be met	(8 036)	5 424 867

The Housing grant was utilised for the development of erven and the erection of top structures and infrastructure.

21.11 <u>CDW Contribution</u>		
Opening balance	98 511	78 640
Grants received	78 000	100 000
Conditions met - Operating	(136 421)	(76 852)
Conditions met - Capital	-	(3 277)
Conditions still to be met	40 090	98 511

The CDW Contribution was used to finance the activities of Community Development Workers.

21.12 <u>Housing Consuming Education</u>		
Opening balance	42 749	48 336
Grants received	-	-
Conditions met - Operating	(2 825)	(5 587)
Conditions met - Capital	-	-
Conditions still to be met	39 924	42 749

The Housing Consuming Education Grant was used for public awareness programs.

21.13 <u>Construction Sidewalks</u>		
Opening balance	241 893	20 002
Grants received	-	500 000
Conditions met - Operating	(241 893)	-
Conditions met - Capital	-	(278 109)
Conditions still to be met	-	241 893

The grant was used to built sidewalks.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
21.14 <u>Maintenance of Proclaimed Roads</u>		
Opening balance	-	-
Grants received	-	50 000
Conditions met - Operating	-	(50 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The grant was used for maintenance of proclaimed roads.

21.15 <u>Library Grant</u>		
Opening balance	-	-
Grants received	3 269 461	553 000
Conditions met - Operating	(3 269 461)	(553 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The grant was used for appointment of library staff.

21.16 <u>West Coast DM - PIMMS</u>		
Opening balance	84 393	160 602
Grants received	-	-
Conditions met - Operating	(84 393)	(76 209)
Conditions met - Capital	-	-
Conditions still to be met	-	84 393

The grant was used for financing of Spatial Development Framework.

21.17 <u>West Coast DM - LED</u>		
Opening balance	46 952	46 952
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	46 952	46 952

The grant was used for Local Economic Development facilitation.

21.18 <u>Lotto: Zuurvlaakte Sport Field</u>		
Opening balance	510 333	500 000
Grants received	-	100 000
Conditions met - Operating	(434 852)	-
Conditions met - Capital	-	(89 667)
Conditions still to be met	75 481	510 333

The grant was used to develop a sport field at Zuurvlaakte.

21.19 <u>Lotto: Plant Trees</u>		
Opening balance	154 390	154 390
Grants received	-	-
Conditions met - Operating	(125 727)	-
Conditions met - Capital	-	-
Conditions still to be met	28 663	154 390

The grant was used to plant trees in the Bergrivier area.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
21.20 <u>Lotto: Piketberg Sport Field</u>		
Opening balance	(670 042)	(670 042)
Grants received	134 888	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>(535 154)</u>	<u>(670 042)</u>

The grant is for the developing of a sport field at Piketberg.

21.21 <u>Lotto: Redelinghuys: Sport Field</u>		
Opening balance	(431 113)	(431 113)
Grants received	431 113	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>(431 113)</u>

The grant was used to develop a sport field at Redelinghuys.

21.22 <u>Total Grants</u>		
Opening balance	5 706 320	(22 878)
Grants received	47 672 940	48 122 009
Conditions met - Operating	(41 534 607)	(26 380 822)
Conditions met - Capital	(14 487 019)	(16 011 989)
Conditions still to be met/(Grant expenditure to be recovered)	<u>(2 642 367)</u>	<u>5 706 320</u>

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	231 111	6 865 432
Unpaid Conditional Government Grants and Receipts	(2 873 477)	(1 159 111)
Total	<u>(2 642 367)</u>	<u>5 706 321</u>

22. SERVICE CHARGES

Electricity	60 363 020	50 650 621
Service Charges	63 297 032	53 713 439
<u>Less:</u> Income Forgone	(2 934 012)	(3 062 817)
Water	14 810 685	12 876 896
Service Charges	17 293 698	14 654 300
<u>Less:</u> Income Forgone	(2 483 013)	(1 777 404)
Refuse Removal	10 980 428	10 017 588
Service Charges	13 389 042	11 834 300
<u>Less:</u> Income Forgone	(2 408 614)	(1 816 712)
Sewerage and Sanitation Charges	6 739 862	6 395 578
Service Charges	8 430 108	7 674 458
<u>Less:</u> Income Forgone	(1 690 246)	(1 278 880)
Correction of Error - Note	-	(14 543)
Total Service Charges	<u>92 893 996</u>	<u>79 926 141</u>

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

23. INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	872 517	1 317 129
Total Interest Earned - External Investments	<u>872 517</u>	<u>1 317 129</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
24. INTEREST EARNED - OUTSTANDING RECEIVABLES		
Receivables	2 546 756	2 392 149
Total Interest Earned - Outstanding Receivables	2 546 756	2 392 149
25. OTHER INCOME		
Admin Fees	8 980	7 993
Cemetery	200 405	185 456
Land Sales	133 271	-
Photocopies	37 164	28 936
Private Works	5 549	15 370
Sale of Refuse Bags	1 064	1 526
Search Fee	66	-
Sundry Income	1 179 060	1 188 780
Surplus Cash	755	1 312
Swimming Pools	30 850	45 470
Total Other Income	1 597 164	1 474 843
26. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	41 835 190	37 854 229
Employee Related Costs - Contributions for Medical Aids	3 026 178	2 792 624
Employee Related Costs - Contributions for UIF and Pension Funds	7 684 390	6 812 132
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 945 813	3 704 295
Housing Benefits and Allowances	443 027	430 743
Overtime Payments	2 420 916	2 232 900
Bonuses	3 279 448	2 944 444
Provision for leave	994 026	872 471
Contribution to provision - Long Service Awards - Note 5	309 244	328 940
Contribution to provision - Post Retirement Medical - Note 5	846 263	634 475
	64 784 495	58 607 254
<u>Less:</u> Employee Costs allocated elsewhere		-
Total Employee Related Costs	64 784 495	58 607 254
KEY MANAGEMENT PERSONNEL		
The municipal manager is appointed on 5-year fixed contracts. There is no post-employment or termination benefits payable to her at the end of the contract period.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager - Mrs EC Liebenberg		
Annual Remuneration	637 358	572 965
Travelling Allowance	122 445	135 252
Housing Subsidy	74 878	59 892
Service Bonus	52 945	49 910
Contributions to UIF, Medical and Pension Funds	172 988	153 315
Total	1 060 613	971 334
Remuneration of the Director : Finance - Mr JA van Niekerk		
Annual Remuneration	497 934	467 906
Travelling Allowance	99 752	95 369
Telephone allowance		-
Housing Subsidy	58 498	46 791
Service Bonus	41 363	38 992
Contributions to UIF, Medical and Pension Funds	136 750	121 588
Total	834 297	770 645
Remuneration of Director : Corporate Services - Mr V Kotzee (current)		
Annual Remuneration	142 000	-
Travelling Allowance	25 063	-
Housing Subsidy	14 000	-
Service Bonus	-	-
Contributions - UIF, Medical, Pension	57 694	-
Total	238 757	-

BERGRIVIER MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
Remuneration of Director : Corporate Services - Mr J Joubert (former)		
Annual Remuneration	78 609	448 906
Travelling Allowance	56 329	89 974
Housing Subsidy	7 482	44 891
Service Bonus	6 614	37 409
Long-service	38 249	-
Contributions - UIF, Medical, Pension	28 114	118 213
Total	215 396	739 392
Remuneration of Director : Community Services - Mr D Lambrechts		
Annual Remuneration	462 084	448 906
Travelling Allowance	88 140	89 974
Housing Subsidy	56 123	44 891
Service Bonus	40 093	37 409
Contributions - UIF, Medical, Pension	133 460	118 213
Total	779 900	739 392
Remuneration of Director : Technical Services - Mr H Krohn (current)		
Annual Remuneration	208 750	-
Travelling Allowance	41 955	-
Housing Subsidy	25 050	-
Service Bonus	-	-
Contributions - UIF, Medical, Pension	57 567	-
Total	333 322	-
Remuneration of Director : Technical Services - Mr A Willemsse (former)		
Annual Remuneration	412 606	225 357
Travelling Allowance	-	45 244
Housing Subsidy	-	22 536
Service Bonus	-	18 780
Contributions - UIF, Medical, Pension	1 152	59 269
Total	413 758	371 185

27. REMUNERATION OF COUNCILLORS

Mayor	491 197	310 792
Speaker	286 588	305 901
Members of Mayoral Committee	1 012 639	604 015
Councillors	972 600	1 001 682
Travelling allowance	810 069	849 160
Telephone allowance	190 651	189 836
Pension fund contributions	294 689	237 066
Medical aid contributions	36 000	33 062
Total Councillors' Remuneration	4 094 433	3 531 514

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



.....
Signed: Municipal Manager

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
28. DEBT IMPAIRMENT		
Current Receivables	2 893 845	2 423 262
Total Debt Impairment	2 893 845	2 423 262
29. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	15 779 352	12 158 797
Intangible assets	156 442	79 807
Correction of Error - Note 35.1	-	199 676
Total Depreciation and Amortisation	15 935 795	12 438 280
30. FINANCE COSTS		
Long-term Liabilities	5 381 468	4 081 300
Non-current Provisions	1 374 686	1 718 137
Non-current Employee Benefits	1 664 529	1 417 043
Employee Benefits	145 573	154 669
Total Finance Costs	8 566 255	7 371 149
31. BULK PURCHASES		
Electricity	45 456 879	36 860 357
Water	3 580 938	3 349 200
Total Bulk Purchases	49 037 817	40 209 558
32. GENERAL EXPENSES		
Advertisement	552 451	479 746
Audit Fees	2 408 302	1 738 245
Bank Charges	288 666	246 342
Books	19 599	28 782
Cemetery	3 286	2 621
Chemicals	635 709	503 159
Entertainment	195 630	205 051
Fuel	2 283 048	1 578 864
Impact Studies	451 833	351 402
Insurance	827 801	613 841
Legal Fees	211 337	557 443
Licensing	401 549	344 366
Lost Books	-	5 476
Materials	981 705	960 449
Membership Fees	501 140	260 372
Planning and Development	30 712	37 588
Postage	411 249	396 851
Printing	38 787	35 302
Professional Fees	5 742 535	6 639 889
Protective Clothing	281 669	264 662
Refuse Bags	667 729	708 467
Rent Equipment	421 793	476 913
Sport Fields	71 003	120 604
Stationary	558 945	555 389
Sundries	3 926 526	3 978 738
Telephone Costs	1 258 935	1 105 870
Training	748 200	485 762
Travel and Entertainment	543 791	471 151
Trees	18 684	24 297
Unions	30 029	30 458
Valuations	11 562	380 592
Fertilizer	11 118	43 663
Total General Expenses	24 535 325	23 632 353
33. GAIN/ (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	82 338	195 241
Total Gain/ (Loss) on Sale of Assets	82 338	195 241

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
34. (IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT LOSS		
Property, Plant and Equipment	(41 013)	(107 399)
Total (Impairment Loss)/ Reversal of Impairment Loss	(41 013)	(107 399)

35. CORRECTION OF ERROR IN TERMS OF GRAP 3

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:

35.1 Property, Plant and Equipment

Balance previously reported	-	193 617 873
Cost	-	56 969 406
Aurora Landfill-site not previously recognised - Note 11.1.2	-	1 928 648
Redelinghuys Landfill-site not previously recognised - Note 11.2	-	1 052 560
Cell phones recognised incorrectly in prior years - Note 11.2	-	4 693
Land not previously recognised - Note 11.2	-	53 486 252
Correction of calculation error in prior year Asset Register - Note 11.2	-	(150)
Other Assets not previously recognised - Note 11.2	-	958 975
Intangible Assets disclosed as Property, Plant and Equipment in prior years - Note 11.2	-	(461 571)
Accumulated Depreciation	-	(2 175 497)
Depreciation on Landfill-sites not recognised - before 1 July 2010 - Note 11.2	-	(599 028)
Depreciation on Landfill-sites not recognised in 2010/2011 - Note 11.2	-	(199 676)
Cell phones recognised incorrectly in prior years - Note 11.2	-	(3 596)
Correction of calculation error in prior year Asset Register - Note 11.2	-	(348)
Depreciation on Other Assets not previously recognised - Note 11.2	-	(1 904 421)
Depreciation calculated incorrectly in prior year as a result of not reviewing remaining useful lives - Note 11.2	-	70 000
Intangible Assets disclosed as Property, Plant and Equipment in prior years - Note 11.2	-	461 571
Restated Balance	-	248 411 782

Rehabilitation Costs of Landfill-sites of Aurora and Redelinghuys not recognised in prior years, correction of cell phone leases, land and other assets not recognised in prior years and Intangible Assets disclosed incorrectly as Property, Plant and Equipment in prior years.

35.2 Non-current Provisions

Balance previously reported	-	22 977 266
Rehabilitation of Aurora Landfill-site - Note 4	-	1 928 648
Rehabilitation of Redelinghuys Landfill-site - Note 4	-	1 052 560
Interest Cost on Rehabilitation of landfill-sites not recognised - before 1 July 2010 - Note 4	-	569 458
Interest Cost on Rehabilitation of landfill-sites not recognised in 2010/2011	-	213 040
Restated Balance	-	26 740 972

Rehabilitation Costs of Landfill-sites of Aurora and Redelinghuys not recognised in prior years.

35.3 Long-term Liabilities

Balance previously reported	-	46 347 183
Correction of Finance Leases for cell phones - Note 3	-	(3 124)
Restated Balance	-	46 344 059

Cell phone leases recognised incorrectly in prior years.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
35.4 Receivables from Exchange Transactions		
Balance previously reported	-	29 838 554
Correction of Service Charges - Note 16	-	(14 543)
Receivables with repay arrangements disclosed under Long-term Receivables - Note 16	-	(4 726 272)
Receivables from Non-Exchange Transactions previously disclosed under Receivables from Exchange Transactions - Note 35.5	-	(6 046 814)
Restated Balance	-	19 050 926

Correction of prior year consumer accounts and disclosure of receivables with repay arrangements under long-term receivables.

35.5 Receivables from Non-exchange Transactions

Balance previously reported	-	14 321 856
Refund of Building Plan Fees - Note 17	-	3 624
Correction of duplicated receipts for Fines - Note 17	-	(6 502)
Receivables from Non-Exchange Transactions previously disclosed under Receivables from Exchange Transactions - Note 35.4	-	6 046 814
Restated Balance	-	20 365 791

Correction of prior year sundry debtors.

35.6 Long-term Receivables

Balance previously reported	-	19 422
Receivables with repay arrangements previously disclosed under Receivables from Exchange Transactions - Note 14	-	4 726 272
Current Portion of Long-term Receivables - Note 14	-	(2 314 207)
Restated Balance	-	2 431 487

Receivables with repay arrangements previously disclosed under Receivables from Exchange Transactions.

35.7 Current Portion of Long-term Receivables

Balance previously reported	-	238 527
Current Portion of Long-term Receivables - Note 14	-	2 314 207
Restated Balance	-	2 552 734

Receivables with repay arrangements previously disclosed under Receivables from Exchange Transactions.

35.8 Intangible Assets

Balance previously reported	-	204 396
Cost		
Intangible Assets disclosed as Property, Plant and Equipment in prior years - Note 13	-	461 571
Accumulated Amortisation		
Intangible Assets disclosed as Property, Plant and Equipment in prior years - Note 13	-	(461 571)
Amortisation calculated incorrectly in prior year as a result of not reviewing remaining useful lives - Amortisation prior to 1 July 2010 - Note 13	-	261 571
Amortisation calculated incorrectly in prior year as a result of not reviewing remaining useful lives - Amortisation in 2010/2011 - Note 13	-	(30 786)
Restated Balance	-	435 182

Intangible Assets disclosed as Property, Plant and Equipment in prior years.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
35.9 Investment Properties		
Balance previously reported	-	14 512 880
Investment Properties not recognised in prior years - Note 12	-	2 331 750
Investment Properties duplicated in prior years - Note 12	-	(2 298 000)
Restated Balance	-	14 546 630

Investment Properties not recognised and duplicated in prior years.

35.10 Inventory

Balance previously reported	-	247 539
Spare parts not recognised in prior years - Note 15	-	1 858 763
Low Cost Housing not recognised in prior years - Note 15	-	4 963 288
Restated Balance	-	7 069 590

Inventory held at Stores and RDP Houses not recognised in prior years.

35.11 Accumulated Surplus/(Deficit) - 1 July 2010

Depreciation on Landfill-sites - Note 35.1	-	(599 028)
Interest Cost on Rehabilitation of landfill-sites - Note 35.2	-	(569 458)
Finance Leases of cell phones - Note 35.3	-	3 124
Cell phones - Cost - Note 35.1	-	4 693
Cell phones - Accumulated Depreciation - Note 35.1	-	(3 596)
Land not previously recognised - Note 35.1	-	53 486 252
Calculation error in Asset Register - Cost - Note 35.1	-	(150)
Calculation error in Asset Register - Accumulated Depreciation - Note 35.1	-	(348)
Other Assets - Cost - Note 35.1	-	958 975
Other Assets - Accumulated Depreciation - Note 35.1	-	(1 904 421)
Accumulated Depreciation recalculated - Note 35.1	-	70 000
Accumulated Amortisation recalculated - Note 35.8	-	261 571
Investment Properties not recognised in prior years - Note 35.9	-	2 331 750
Investment Properties duplicated in prior years - Note 35.9	-	(2 298 000)
Inventory not recognised in prior years - Note 35.10	-	2 037 679
Total	-	53 779 043

35.12 Changes to Statement of Financial Performance

Movement on operating account as a result of GRAP standards not implemented in prior years:

	Balance previously reported	Adjustments	Restated Balance
Revenue			
Property taxes	31 023 210	-	31 023 210
Government Grants and Subsidies	42 392 811	-	42 392 811
Fines	1 520 205	(6 502)	1 513 703
Service Charges	79 940 684	(14 543)	79 926 141
Rental of Facilities and Equipment	2 665 338	-	2 665 338
Interest Earned - external investments	1 317 129	-	1 317 129
Interest Earned - outstanding receivables	2 392 149	-	2 392 149
Licences and Permits	1 645 900	3 624	1 649 524
Income for Agency Services	1 368 731	-	1 368 731
Other Income	1 474 843	-	1 474 843
Unamortised Discount - Interest	4 272	-	4 272
Total	165 745 273	(17 421)	165 727 852

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Expenditure

Employee related costs	(58 607 254)	-	(58 607 254)
Remuneration of Councillors	(3 531 514)	-	(3 531 514)
Debt Impairment	(2 423 262)	-	(2 423 262)
Depreciation and Amortisation	(12 207 818)	(230 461)	(12 438 280)
Repairs and Maintenance	(3 449 924)	(178 916)	(3 628 840)
Unamortised Discount - Interest	(2 564 888)	-	(2 564 888)
Actuarial Losses	(2 637 035)	-	(2 637 035)
Finance Costs	(7 158 109)	(213 040)	(7 371 149)
Bulk Purchases	(40 209 558)	-	(40 209 558)
Grants and Subsidies Paid	(1 742 803)	-	(1 742 803)
Other Operating Grant Expenditure	(6 712 304)	4 963 288	(1 749 016)
General Expenses	(23 632 353)	-	(23 632 353)
Gains/(Loss) on Sale of Assets	195 241		195 241
(Impairment loss)/Reversal of impairment loss	(107 399)		(107 399)
Total	(164 788 980)	4 340 870	(160 448 109)
Net Surplus/(Deficit) for the year	956 293	4 323 449	5 279 742

	2012 R	2011 R
36. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	(7 323 494)	5 279 742
Adjustments for:		
Depreciation and amortisation	15 935 795	12 438 281
Loss/(Gain) on disposal of property, plant and equipment	(82 338)	-
Impairment Loss/(Reversal of Impairment Loss)	41 013	107 399
Contribution to provisions – Non-Current Provisions	1 374 686	1 718 137
Contribution from/to provisions - Non-Current Employee Benefits	1 897 304	1 455 720
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	2 128 536	2 637 035
Contribution to provisions – Bad debt	2 080 386	2 564 706
Reversal of Provision for Bad debt	813 458	-
Bad debts written off	(505 025)	-
Unamortised Discounts - Interest Received	(2 248)	(7 428)
Unamortised Discounts - Interest Paid	596 426	2 564 888
Operating lease income accrued	(7 537)	(11 711)
Operating lease expenses accrued	(215)	-
Operating Surplus/(Deficit) before changes in working capital	16 946 746	28 746 770
Changes in working capital	804 965	(11 332 862)
Increase/(Decrease) in Consumer Deposits	218 739	132 396
Increase/(Decrease) in Trade and Other Payables	10 517 759	(5 104 532)
Increase/(Decrease) in Employee Benefits	46 858	1 276 112
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(6 634 321)	2 784 593
Increase/(Decrease) in Taxes	1 175 519	696 707
(Increase)/Decrease in Inventory	3 090 178	(5 013 388)
(Increase)/Decrease in Receivables from exchange transactions	(5 605 913)	(4 002 155)
(Increase)/Decrease in Receivables from non-exchange transactions	(289 487)	(5 047 199)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(1 714 368)	2 944 605
Cash generated/(absorbed) by operations	17 751 711	17 413 907

37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Current Accounts - Note 19	9 631 299	14 600 999
Cash Floats - Note 19	10 970	9 700
Total cash and cash equivalents	9 642 269	14 610 699

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
38. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 37	9 642 269.39	14 610 699
Less:	(6 425 513)	(13 301 658)
Unspent Committed Conditional Grants - Note 9	(231 111.44)	(6 865 432)
Unspent Borrowings - Note 39	-	(295 484)
VAT - Note 10	(349 674.71)	-
Cash Portion of Housing Development Fund - Note 2	(918 354.26)	(1 115 655)
Current Employee Benefits - Note 7	(4 926 373)	(5 025 087)
Net cash resources available for internal distribution	3 216 756	1 309 042
Allocated to:		
Capital Replacement Reserve	(1 350 405)	(2 900 000)
Resources available for working capital requirements	1 866 351	(1 590 958)

39. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	46 834 579	45 434 080
Used to finance property, plant and equipment - at cost	(46 834 579)	(45 138 596)
	-	295 484
Cash set aside for the repayment of long-term liabilities	-	(295 484)
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

40. BUDGET COMPARISONS

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %
40.1 Operational Budget by source/type				
Revenue by source				
Property rates	32 976 811	32 850 000	126 811	0.39%
Service charges - electricity revenue	60 363 020	60 713 000	(349 980)	-0.58%
Service charges - water revenue	14 810 685	14 081 000	729 685	5.18%
Service charges - sanitation revenue	6 739 862	6 612 000	127 862	1.93%
Service charges - refuse revenue	10 980 428	10 790 000	190 428	1.76%
Rental of facilities and equipment	2 760 792	2 586 000	174 792	6.76%
Interest earned - external investments	872 517	1 170 000	(297 483)	-25.43%
Interest earned - outstanding debtors	2 546 756	2 600 000	(53 244)	-2.05%
Fines	43 894	253 000	(209 106)	-82.65%
Licences and Permits	1 670 413	1 660 000	10 413	0.63%
Agency services	950 077	1 549 000	(598 923)	-38.67%
Transfers recognised	56 021 628	49 858 797	6 162 831	12.36%
Other revenue	1 599 412	3 723 000	(2 123 588)	-57.04%
Total Revenue (excluding capital transfers and contribution:	192 418 633	188 445 797	3 972 836	2.11%
Expenditure by Type				
Employee related costs	(64 784 495)	(63 801 574)	(982 921)	1.54%
Remuneration of councillors	(4 094 433)	(3 725 000)	(369 433)	9.92%
Debt Impairment	(2 893 845)	(872 000)	(2 021 845)	231.86%
Depreciation & asset impairment	(15 935 795)	(12 252 346)	(3 683 449)	30.06%
Finance charges	(9 162 681)	(6 980 000)	(2 182 681)	31.27%
Bulk purchases	(49 037 817)	(40 420 000)	(8 617 817)	21.32%
Transfers and grants	(1 783 712)	(2 023 000)	239 288	-11.83%
Other expenditure	(52 008 336)	(42 065 437)	(9 942 899)	23.64%
Loss on disposal of PPE	(41 013)	-	(41 013)	
Total Expenditure	(199 742 127)	(172 139 357)	(27 602 770)	16.04%
Surplus/(Deficit) for the year	(7 323 494)	16 306 440	(23 629 934)	-144.91%
Details of material variances				

Reasons for variances are disclosed in Appendix E(1)

BERGRIVIER MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %
40.2 Operational Budget by Standard Classification				
<u>Revenue - Standard</u>				
Governance and Administration				
Executive and council	20 726 704	20 819 000	(92 296)	-0.44%
Budget and Treasury Office	37 874 884	38 008 800	(133 916)	-0.35%
Corporate Services	816 406	5 002 200	(4 185 794)	-83.68%
Community and Public Safety				
Community and Social Services	3 519 270	3 493 000	26 269	0.75%
Sport and Recreation	3 282 238	2 607 000	675 238	25.90%
Public Safety	116 914	324 000	(207 086)	-63.92%
Housing	19 307 592	12 142 797	7 164 795	59.00%
Health	-	-	-	
Economic and Environmental Services				
Planning and Development	580 011	361 000	219 011	60.67%
Road Transport	3 084 591	3 550 000	(465 409)	-13.11%
Environmental Protection	-	-	-	
Trading Services				
Electricity	60 424 292	60 868 500	(444 208)	-0.73%
Water	14 844 819	14 129 000	715 819	5.07%
Waste Water Management	16 512 905	16 339 000	173 905	1.06%
Waste Management	11 328 008	10 801 500	526 508	4.87%
Other	-	-	-	
Total Revenue	192 418 633	188 445 797	3 972 836	2.11%
<u>Expenditure - Standard</u>				
Governance and Administration				
Executive and council	(15 894 810)	(11 414 425)	(4 480 385)	39.25%
Budget and Treasury Office	(10 805 376)	(8 496 580)	(2 308 796)	27.17%
Corporate Services	(17 908 664)	(14 976 876)	(2 931 788)	19.58%
Community and Public Safety				
Community and Social Services	(5 695 822)	(6 000 769)	304 947	-5.08%
Sport and Recreation	(9 296 467)	(8 986 841)	(309 626)	3.45%
Public Safety	(4 712 934)	(4 796 616)	83 682	-1.74%
Housing	(22 239 270)	(9 032 128)	(13 207 142)	146.22%
Health	-	-	-	
Economic and Environmental Services				
Planning and Development	(2 387 000)	(2 679 184)	292 184	-10.91%
Road Transport	(17 339 212)	(18 904 217)	1 565 005	-8.28%
Environmental Protection	-	-	-	
Trading Services				
Electricity	(60 410 191)	(54 470 003)	(5 940 188)	10.91%
Water	(11 889 812)	(13 674 263)	1 784 451	-13.05%
Waste Water Management	(7 044 246)	(7 455 700)	411 454	-5.52%
Waste Management	(14 118 324)	(11 251 755)	(2 866 569)	25.48%
Other	-	-	-	
Total Expenditure	(199 742 127)	(172 139 357)	(27 602 770)	16.04%
Surplus/(Deficit) for the year	(7 323 494)	16 306 440	(23 629 934)	
<u>Details of material variances</u>				

Reasons for variances are disclosed in Appendix E(1)

BERGRIVIER MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %
40.3 Capital Expenditure by Standard Classification				
Governance and Administration				
Executive and council	68 700	-	68 700	
Budget and Treasury Office	1 373	150 000	(148 627)	-99.08%
Corporate Services	1 032 188	3 902 100	(2 869 912)	-73.55%
Community and Public Safety				
Community and Social Services	145 000	419 000	(274 000)	-65.39%
Sport and Recreation	246 283	797 000	(550 717)	-69.10%
Public Safety	45 826	380 000	(334 174)	-87.94%
Housing	-	4 703 119	(4 703 119)	-100.00%
Health	-	-	-	
Economic and Environmental Services				
Planning and Development	-	22 200	(22 200)	-100.00%
Road Transport	3 089 700	3 485 000	(395 300)	-11.34%
Environmental Protection	-	-	-	
Trading Services				
Electricity	2 089 861	3 953 000	(1 863 139)	-47.13%
Water	4 781 220	7 829 500	(3 048 280)	-38.93%
Waste Water Management	12 743 319	12 250 000	493 319	4.03%
Waste Management	2 658 104	3 008 950	(350 846)	-11.66%
Other	-	-	-	
Total Capital Expenditure	26 901 572	40 899 869	(13 998 297)	-34.23%

Details of material variances

Reasons for variances are disclosed in Appendix E(2)

40.4 Operational Budget by Municipal Vote

Revenue - Vote

Municipal Manager				
Council	20 726 704	20 819 000	(92 296)	-0.44%
Finance				
Financial Administration	37 874 884	38 008 800	(133 916)	-0.35%
Administration	744 061	355 200	388 861	109.48%
Corporate Services	6 400	5 200	1 200	23.08%
HR Administration	450 337	200 000	250 337	125.17%
Planning and Development	287 324	150 000	137 324	91.55%
Community Services	27 961 965	21 456 797	6 505 168	30.32%
Building Control	292 687	211 000	81 687	38.71%
Libraries & Records	3 313 040	3 282 000	31 040	0.95%
Housing	19 307 592	12 142 797	7 164 795	59.00%
Traffic Control	116 914	324 000	(207 086)	-63.92%
Holiday Resorts	2 690 792	2 575 000	115 792	4.50%
Vehicle Registration	2 240 940	2 922 000	(681 060)	-23.31%
Technical Services	105 111 019	107 806 000	(2 694 981)	-2.50%
Council Property	359 668	4 797 000	(4 437 332)	-92.50%
Refuse Removal	11 328 008	10 801 500	526 508	4.87%
Cemeteries	206 229	211 000	(4 771)	-2.26%
Sewerage	16 381 326	16 339 000	42 326	0.26%
Storm water Management	131 579	-	131 579	
Community Parks	125 727	-	125 727	
Sport Facilities and Swimming Pools	465 720	32 000	433 720	1355.38%
Water	14 844 819	14 129 000	715 819	5.07%
Roads	843 650	628 000	215 650	34.34%
Electricity	60 424 292	60 868 500	(444 208)	-0.73%
Total Revenue	192 418 633	188 445 797	3 972 836	2.11%

BERGRIVIER MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %
<u>Expenditure - Vote</u>				
Municipal Manager				
Council	(15 894 810)	(11 414 425)	(4 480 385)	39.25%
Finance				
Financial Administration	(10 799 186)	(8 496 580)	(2 302 606)	27.10%
Administration	(13 439 862)	(10 377 667)	(3 062 195)	29.51%
Corporate Services	(4 646 436)	(4 864 867)	218 431	-4.49%
HR Administration	(7 292 185)	(3 911 786)	(3 380 399)	86.42%
Planning and Development	(1 501 242)	(1 601 014)	99 773	-6.23%
Community Services	(36 684 162)	(24 049 883)	(12 634 279)	52.53%
Community Services	(2 654 457)	(2 455 269)	(199 188)	8.11%
Building Control	(885 759)	(1 078 170)	192 411	-17.85%
Libraries & Records	(2 767 747)	(3 140 230)	372 483	-11.86%
Museum	(1)	(61 279)	61 279	-100.00%
Housing	(22 239 270)	(9 032 128)	(13 207 142)	146.22%
Traffic Control	(4 712 673)	(4 761 616)	48 943	-1.03%
Fire Department	(260)	(35 000)	34 740	-99.26%
Holiday Resorts	(2 910 361)	(2 868 183)	(42 178)	1.47%
Vehicle Registration	(513 636)	(618 008)	104 372	-16.89%
Technical Services	(122 924 107)	(117 800 802)	(5 123 305)	4.35%
Council Property	(5 976 233)	(6 200 223)	223 990	-3.61%
Refuse Removal	(14 118 324)	(11 251 755)	(2 866 569)	25.48%
Cemeteries	(273 619)	(343 991)	70 372	-20.46%
Sewerage	(6 026 844)	(6 353 020)	326 176	-5.13%
Storm water Management	(1 017 402)	(1 102 680)	85 278	-7.73%
Community Parks	(3 701 557)	(3 801 525)	99 968	-2.63%
Sport Facilities and Swimming Pools	(2 684 549)	(2 317 133)	(367 416)	15.86%
Water	(11 889 812)	(13 674 263)	1 784 451	-13.05%
Roads	(16 825 576)	(18 286 209)	1 460 633	-7.99%
Electricity	(60 410 191)	(54 470 003)	(5 940 188)	10.91%
Total Expenditure	(199 742 127)	(172 139 357)	(27 602 770)	129.00%
Surplus/(Deficit) for the year	(7 323 494)	16 306 440	(23 629 934)	

Details of material variances

Reasons for variances are disclosed in Appendix E(1)

40.5 Capital Expenditure by Municipal Vote

Municipal Manager				
Council	-	-	-	
Finance				
Financial Administration	1 373	150 000	(148 627)	-99.08%
Administration	896 293	3 924 300	(3 028 007)	-77.16%
Corporate Services	896 293	3 831 000	(2 934 707)	-76.60%
HR Administration	-	71 100	(71 100)	-100.00%
Planning and Development	-	22 200	(22 200)	-100.00%
Community Services	300 794	5 380 119	(5 079 325)	-94.41%
Community Services	204 595	247 000	(42 405)	-17.17%
Building Control	-	-	-	
Libraries & Records	-	-	-	
Museum	-	-	-	
Housing	50 373	4 703 119	(4 652 746)	-98.93%
Traffic Control	45 826	145 000	(99 174)	-68.40%
Fire Department	-	120 000	(120 000)	-100.00%
Holiday Resorts	-	50 000	(50 000)	-100.00%
Vehicle Registration	-	115 000	(115 000)	-100.00%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Technical Services	25 703 112	31 445 450	(5 742 338)	-18.26%
Council Property	-	-	-	
Refuse Removal	2 658 104	3 008 950	(350 846)	-11.66%
Cemeteries	145 000	172 000	(27 000)	-15.70%
Sewerage	11 640 240	10 911 000	729 240	6.68%
Storm water Management	1 103 078	1 339 000	(235 922)	-17.62%
Community Parks	58 263	349 000	(290 737)	-83.31%
Sport Facilities and Swimming Pools	137 647	398 000	(260 353)	-65.42%
Water	4 781 220	7 829 500	(3 048 280)	-38.93%
Roads	3 089 700	3 485 000	(395 300)	-11.34%
Electricity	2 089 861	3 953 000	(1 863 139)	-47.13%
Total Capital Expenditure	26 901 572	40 899 869	(13 998 297)	

Details of material variances

Reasons for variances are disclosed in Appendix E(2)

	2012 R	2011 R
41. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
41.1 <u>Unauthorised expenditure</u>		
Reconciliation of unauthorised expenditure:		
Opening balance	40 893 206	23 308 068
Unauthorised expenditure current year - operational	27 602 770	17 585 138
Unauthorised expenditure current year - capital	-	-
Approved by Council or condoned - 31 January 2012	(40 893 206)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	27 602 770	40 893 206

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget due to GRAP implementations - See appendix E(1) for explanations	The over expenditure to the value of R40 893 206 listed above were condoned by council at a meeting held on 31 January 2012

41.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	18 778	18 778
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Written-off by SARS	(18 778)	-
Fruitless and wasteful expenditure awaiting condonement	-	18 778

Incident	Disciplinary steps/criminal proceedings
Interest paid to SARS	Appeal was made to SARS for write-off of interest levied. SARS reversed interest levied.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
41.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	299 487	26 132
Irregular expenditure current year	1 195 368	273 355
Condonement supported by council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	1 494 856	299 487
Irregular expenditure awaiting condonement from National Treasury	1 494 856	299 487

Incident	Disciplinary steps/criminal proceedings		
3 Quotes were not obtained as required by Supply Chain Management Policy. Reasons for not obtaining 3 quotes were not documented.	To be investigated	104 903	299 487
Suppliers without conflict of interest forms.	To be investigated	239 742	-
Suppliers did not sign conflict of interest forms.	To be investigated	850 723	-
		1 195 368	299 487

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

42. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**42.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)**

Opening balance	-	-
Council subscriptions	486 268	242 650
Amount paid - current year	(486 268)	(242 650)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

42.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	1 832 345	-
Current year audit fee	2 467 811	1 832 345
External Audit - Auditor-General	2 408 302	1 738 245
Internal Audit	-	-
Audit Committee	59 509	94 100
Amount paid - current year	(4 300 156)	-
Balance unpaid (included in creditors)	-	1 832 345

42.3 VAT - [MFMA 125 (1)(c)]

Opening balance	(825 844)	598 675
Amounts received - current year	3 954 517	3 177 664
Amounts claimed - current year (payable)	(554 094)	(4 224 920)
Amount paid - current year	(2 017 498)	(377 263)
Amount paid - previous year	-	-
Closing balance	557 081	(825 844)

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

42.4 PAYE and UIF - [MFMA 125 (1)(c)]

Opening balance	-	605 170
Current year payroll deductions	7 603 518	6 117 692
Amount paid - current year	(7 603 518)	(6 722 862)
Balance unpaid (included in creditors)	-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
42.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	17 001 143	14 619 865
Amount paid - current year	(17 001 143)	(14 619 865)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

42.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

The following Councillors had arrear accounts outstanding for more than 90 days during the year:

	Highest amount outstanding	Ageing
SR Claassen	362	> 90 days

42.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

			Type of Deviation		
	Amount	Single Supplier	Impossible	Impractical	Emergency
July	249 477	1	-	2	2
August	27 421	2	-	-	1
September	269 660	11	-	1	2
October	587 110	9	-	1	5
November	270 494	5	-	2	1
December	234 145	4	-	6	3
January	231 871	5	-	3	1
February	128 077	3	-	2	-
March	58 329	4	-	2	-
April	22 618	1	-	-	-
May	32 314	3	-	4	-
June	487 712	8	-	6	-
	2 599 228	56	-	29	15

The following suppliers did not indicate that a member is in service of the state as required by section 13 (c)(i) of the Supply Chain Management Regulations:

Service provider	Name of member	State Department	Contract
Porterville Transport CC	W Otto	WC: Health	1 200
Piquet Cement Works	D Heyns	National Dept of Home Affairs	84 765

42.8 Material losses**Electricity distribution losses**

Units purchased (Kwh)	74 823 043	74 998 291
Units lost during distribution (Kwh)	7 441 602	7 540 202
Percentage lost during distribution	9.95%	10.05%
Distribution loss (Rand Value)	4 296 707	3 494 129

Water distribution losses

Units purchased (ml)	2 399 380	2 598 451
Units lost during distribution (ml)	248 853	341 987
Percentage lost during distribution	10.37%	13.16%
Distribution loss (Rand Value)	843 612	1 203 794

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
43. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for:	1 385 639	5 858 034
Infrastructure	1 385 639	5 858 034
Community	-	-
Other	-	-
Total	1 385 639	5 858 034
 This expenditure will be financed from:		
Government Grants	1 385 639	5 858 034
Total	1 385 639	5 858 034

44. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year. The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

1% (2011: 1%) Increase in interest rates	(372 033)	(308 331)
1% (2011: 1%) Decrease in interest rates	372 033	308 331

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

BERGRIVIER MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2012	2011	2011
	%	R	%	R
The debtors per age analysis could be summarised as follows:				
Assessment Rates	20.62%	11 006 333	26.83%	13 091 597
Consumer Deposit	-0.08%	(41 194)	-0.04%	(19 819)
Electricity	14.63%	7 807 899	14.95%	7 293 472
General Debit/Credit	4.61%	2 461 352	9.40%	4 584 306
Handed Over	24.71%	13 187 402	12.39%	6 046 814
House Purchase	0.08%	40 186	0.08%	41 278
Housing	0.17%	88 509	0.16%	77 283
Legal Fees	0.76%	406 652	0.55%	268 254
Loan Arrangement	5.26%	2 807 886	4.46%	2 175 863
Refuse Removal	10.95%	5 843 682	11.02%	5 375 500
Service Balances	0.20%	106 007	0.22%	107 213
Sewerage Charge	7.22%	3 856 242	8.49%	4 143 848
Sundries	1.21%	644 745	1.24%	602 675
Water	9.67%	5 159 641	10.25%	4 998 199
Total	100.00%	53 375 341	100.00%	48 786 480

All rates and services are payable within 30 days from invoice date. Refer to note 16 and 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 14 for balances included in receivables that were re-negotiated for the period under review.

	2012	2012	2011	2011
	%	R	%	R
<u>Non-exchange Receivables</u>				
Rates	100.00%	24 193 734	100.00%	19 138 410
<u>Exchange Receivables</u>				
Electricity	25.49%	7 807 900	24.60%	7 293 472
Water	16.85%	5 159 640	16.86%	4 998 199
Housing	0.42%	128 693	0.40%	118 561
Refuse	19.08%	5 843 681	18.13%	5 375 500
Sewerage	12.59%	3 856 242	13.98%	4 143 848
Other	25.57%	7 830 896	26.03%	7 718 490
	100.00%	30 627 052	100.00%	29 648 069

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 16 and 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2012	2012	2011	2011
	%	R	%	R
<u>Non-exchange Receivables</u>				
Rates	48.84%	6 074 797	41.06%	4 079 516
<u>Exchange Receivables</u>				
Services	51.16%	6 363 751	58.94%	5 856 329
	100.00%	12 438 548	100.00%	9 935 845

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Financial assets exposed to credit risk at year end are as follows:		
Long-term Receivables	4 410 429	4 989 023
Receivables from exchange transactions	30 627 052	24 907 255
Receivables from non-exchange transactions	24 734 794	24 445 307
Cash and Cash Equivalents	9 631 299	14 600 999
Unpaid Conditional Grants and Subsidies	2 873 479	1 159 110
	<u>72 277 054</u>	<u>70 101 694</u>

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2012				
Long-term Liabilities	222 470	94 470	-	-
Provision for Rehabilitation of Landfill-sites	27 596 334	5 485 085	2 355 119	311 784
Trade and Other Payables	24 076 457	-	-	-
Unspent Conditional Grants and Receipts	231 111	-	-	-
	<u>52 126 373</u>	<u>5 579 555</u>	<u>2 355 119</u>	<u>311 784</u>
2011				
Long-term Liabilities	227 727	294 296	-	-
Provision for Rehabilitation of Landfill-sites	26 034 277	5 979 846	3 279 631	454 568
Trade and Other Payables	13 558 698	-	-	-
Unspent Conditional Grants and Receipts	6 865 432	-	-	-
	<u>46 686 135</u>	<u>6 274 142</u>	<u>3 279 631</u>	<u>454 568</u>
			2012 R	2011 R

45. FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

45.1 Financial Assets**Classification****Long-term Receivables**

Sport Organisation Loans	Financial Instruments at amortised cost	24 223	48 900
Housing	Financial Instruments at amortised cost	125 526	213 850
Receivables with repay arrangements	Financial Instruments at amortised cost	4 260 680	4 726 272

Receivables from Exchange Transactions

Electricity	Financial Instruments at amortised cost	7 807 900	7 293 472
Refuse	Financial Instruments at amortised cost	5 843 681	5 375 500
Sewerage	Financial Instruments at amortised cost	3 856 242	4 143 848
Water	Financial Instruments at amortised cost	5 159 640	4 998 199
Housing	Financial Instruments at amortised cost	128 693	118 561
Other Debtors	Financial Instruments at amortised cost	7 830 896	13 765 304

Cash and Cash Equivalents

Bank Balances	Financial Instruments at amortised cost	9 631 299	14 600 999
Call Deposits	Financial Instruments at amortised cost	10 970	9 700

Total Financial Assets

<u>44 679 751</u>	<u>55 294 604</u>
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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
SUMMARY OF FINANCIAL ASSETS			
Financial Instruments at amortised cost:			
Long-term Receivables	Sport Organisation Loans	24 223	48 900
Long-term Receivables	Housing	125 526	213 850
Long-term Receivables	Receivables with repay arrangements	4 260 680	4 726 272
Receivables from Exchange Transactions	Electricity	7 807 900	7 293 472
Receivables from Exchange Transactions	Refuse	5 843 681	5 375 500
Receivables from Exchange Transactions	Sewerage	3 856 242	4 143 848
Receivables from Exchange Transactions	Water	5 159 640	4 998 199
Receivables from Exchange Transactions	Loan Instalments	128 693	118 561
Receivables from Exchange Transactions	Other Debtors	7 830 896	13 765 304
Cash and Cash Equivalents	Bank Balances	9 631 299	14 600 999
Cash and Cash Equivalents	Call Deposits	10 970	9 700
Total Financial Assets		44 679 751	55 294 604

45.2 Financial Liabilities**Classification****Long-term Liabilities**

Annuity Loans	Financial Instruments at amortised cost	46 581 429	45 074 692
Capitalised Lease Liability	Financial Instruments at amortised cost	253 150	362 512

Trade and Other Payables

Trade Creditors	Financial Instruments at amortised cost	14 645 923	7 803 089
Payments received in advance	Financial Instruments at amortised cost	1 118 140	1 042 318
Retentions	Financial Instruments at amortised cost	74 944	9 774
Sundry Deposits	Financial Instruments at amortised cost	445 777	390 763
Other Creditors	Financial Instruments at amortised cost	5 298 761	58 057

68 418 123	54 741 205
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SUMMARY OF FINANCIAL LIABILITIES**Financial instruments at amortised cost:**

Long-term Liabilities	Annuity Loans	46 581 429	45 074 692
Long-term Liabilities	Capitalised Lease Liability	253 150	362 512
Trade and Other Payables	Trade Creditors	14 645 923	7 803 089
Trade and Other Payables	Payments received in advance	1 118 140	1 042 318
Trade and Other Payables	Retentions	74 944	9 774
Trade and Other Payables	Sundry Deposits	445 777	390 763
Trade and Other Payables	Other Creditors	5 298 761	58 057

68 418 123	54 741 205
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46. EVENTS AFTER THE REPORTING DATE

The appeal court of South Africa declared the raising of rates as lawful, effectively over turning a previous decision by the Cape High Court making it possible for the Municipality to collect all outstanding rates. An appeal for the review of this judgement has been lodged to the Constitutional Court. This court will consider the merits of this appeal on 12 March 2013.

47. IN-KIND DONATIONS AND ASSISTANCE

The Appeal Court of South Africa declared the raising of rates as lawful, effectively over turning a previous decision by the Cape High Court, making it possible for the Municipality to collect all outstanding rates.

48. PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

49. CONTINGENT LIABILITY

The municipality is currently engaged in litigation which could result in costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

Litigation regarding rates - pending appeal	200 000	600 000
HA Smit - irregular building	250 000	250 000
Eikenhof - non-payment of water	200 000	-
	650 000	850 000

The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is a general 2% increase in remuneration as from October 2009.

50. RELATED PARTIES**50.1 Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

50.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.

50.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

<u>Councillor/Staff Member</u>	<u>Entity</u>	2012 R	2011 R
EC Liebenberg	AA Liebenberg Trust - Rental Landbouhuis	41 382	161 766
DJ Adams	DJ Adams	-	19 264
		41 382	181 030

51. GOING CONCERN

Management is of the opinion that will municipality will continue to operate as a going concern and perform it's functions as set out in the Constitution.

APPENDIX A
BERGRIVIER MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2011	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2012
ANNUITY LOANS								
DBSA	15.00%	61001254	2018/06/30	1 246 626	-	-	52 846	1 193 780
DBSA	13.00%	61001020	2016/03/31	778 914	-	-	121 205	657 710
DBSA	9.98%	61000584	2016/12/31	1 700 914	-	-	119 224	1 581 690
DBSA	10.80%	61000234	2014/06/30	769 411	-	-	111 757	657 654
INCA	9.44%		2015/06/30	998 275	-	-	215 710	782 565
DBSA	13.23%	61002920	2015/06/30	911 754	-	-	89 739	822 015
DBSA	16.50%	61003131	2020/12/31	811 670	-	-	18 636	793 034
DBSA	14.00%	61001189	2017/09/30	942 123	-	-	89 462	852 661
DBSA	11.70%	61003268	2016/06/30	499 240	-	-	37 954	461 286
DBSA	9.94%	61000585	2013/12/31	667 880	-	-	120 787	547 093
DBSA	9.96%	61000586	2011/12/31	98 116	-	-	98 116	-
DBSA	9.86%	61000757	2018/12/31	5 383 003	-	-	248 985	5 134 018
DBSA	12.41%	61001029	2030/06/30	17 226 767	-	-	113 291	17 113 476
DBSA	11.53%	61006811	2031/06/30	4 040 000	-	-	26 048	4 013 952
DBSA	11.59%	61006837	2036/06/30	9 000 000	-	-	29 503	8 970 497
DBSA	11.33%	61006975	2032/06/30	-	-	3 000 000	-	3 000 000
Total Long-term Loans				45 074 693		3 000 000	1 493 263	46 581 430
LEASE LIABILITY								
Cellphones and Modems	Various			8 453	(3 124)	28 599	13 367	20 561
Telephone Systems	Various			354 059	-	-	121 471	232 588
Total Lease Liabilities				362 512	(3 124)	28 599	134 837	253 150
TOTAL EXTERNAL LOANS								
				45 437 205	(3 124)	3 028 599	1 628 100	46 834 580

APPENDIX B
BERGRIVIER MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost/Revaluation						Accumulated Depreciation					Carrying Value
	Opening Balance	Correction of Error	Additions	Under Construction	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Additions	Disposals/ Impairment	Closing Balance	
Infrastructure												
Roads, Pavements, Bridges & Stormwater	42 389 515	82 000	5 843 493	1 611 429	-	49 926 437	12 417 460	-	1 882 309	-	14 299 770	35 626 667
Electricity Reticulation	36 078 545	-	2 103 474	-	-	38 182 018	8 650 950	-	1 078 650	-	9 729 599	28 452 419
Water Reservoirs & Reticulation	37 896 544	20 000	4 193 906	566 581	-	42 677 031	8 824 149	-	1 238 893	-	10 063 042	32 613 989
Sewerage Purification & Reticulation	28 515 325	2 780	7 167 838	-	-	35 685 943	4 756 381	-	1 647 196	-	6 403 577	29 282 366
Landfill Sites	25 976 299	2 981 208	496 376	-	(2 081 381)	27 372 503	9 060 302	798 703	3 043 304	-	12 902 309	14 470 194
Other	-	659 000	-	-	-	659 000	-	53 333	13 333	-	66 667	592 333
	170 856 228	3 744 988	19 805 087	2 178 010	(2 081 381)	194 502 932	43 709 241	852 037	8 903 685	-	53 464 963	141 037 969
Community Assets												
Parks and Gardens	607 952	-	22 080	-	-	630 033	165 638	-	27 756	-	193 395	436 638
Sportfields and Stadia	2 169 213	17 350 000	-	-	-	19 519 213	829 486	-	108 461	-	937 947	18 581 266
Community Halls	1 491 356	-	-	-	-	1 491 356	432 552	-	49 712	-	482 264	1 009 092
Libraries	1 926 753	1 478 000	-	-	-	3 404 753	534 233	131 378	97 070	-	762 680	2 642 072
Recreational Facilities	10 147 409	-	148 312	-	-	10 295 721	2 834 618	-	464 784	-	3 299 403	6 996 318
Clinics	186 500	1 297 500	-	-	-	1 484 000	81 152	115 333	35 050	-	231 535	1 252 465
Museums and Art Galleries	826 130	749 500	-	-	-	1 575 630	236 420	66 622	44 193	-	347 235	1 228 395
Cemeteries	207 774	-	-	-	-	207 774	74 656	-	6 926	-	81 582	126 193
	17 563 088	20 875 000	170 392	-	-	38 608 480	5 188 756	313 333	833 952	-	6 336 041	32 272 439
Lease Assets												
Office Equipment (Lease)	476 405	4 693	28 599	-	-	509 697	132 300	3 596	161 417	-	297 314	212 384
Other Assets												
General Vehicles	12 054 313	119 656	830 441	-	-	13 004 410	3 501 899	81 035	1 716 290	-	5 299 224	7 705 185
Specialised Vehicles	1 285 183	-	1 556 200	-	-	2 841 383	346 498	-	186 800	-	533 298	2 308 085
Plant and Equipment	10 264 471	209 388	653 257	-	(44 237)	11 082 879	3 794 797	(21 781)	1 602 044	(21 796)	5 353 263	5 729 616
Computers - hardware/equipment	2 266 574	(449 892)	496 839	-	(22 099)	2 291 422	799 269	(453 708)	467 819	(8 840)	804 540	1 486 882
Furniture and other office equipment	3 427 926	12 602	331 986	-	(9 955)	3 762 559	777 904	8 991	758 070	(4 493)	1 540 473	2 222 086
Civic Land and Buildings	28 302 367	1 474 000	264 757	83 305	-	30 124 429	2 546 171	131 022	403 607	-	3 080 801	27 043 629
Other Land and Buildings	8 820 136	30 978 972	96 643	-	-	39 895 752	1 533 049	1 260 973	513 264	-	3 307 285	36 588 466
Security Measures	977 715	-	158 220	-	-	1 135 935	346 650	-	232 403	-	579 053	556 882
	67 398 685	32 344 725	4 388 343	83 305	(76 291)	104 138 768	13 646 237	1 006 531	5 880 297	(35 129)	20 497 937	83 640 831
Total	256 294 406	56 969 406	24 392 422	2 261 315	(2 157 671)	337 759 878	62 676 534	2 175 497	15 779 352	(35 129)	80 596 255	257 163 623

APPENDIX C
BERGRIVIER MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2012
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation						Accumulated Depreciation					Carrying Value
	Opening Balance	Correction of Error	Additions	Under Construction	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Additions	Disposals/ Impairment	Closing Balance	
Executive & Council	85 661 346	-	68 700	-	(71 142)	85 658 904	16 477 397	(70 000)	5 107 707	(33 069)	21 482 035	64 176 869
Budget & Treasury Office	2 153 351	50 000	1 373	-	(5 149)	2 199 575	794 190	(193 286)	397 321	(2 060)	996 166	1 203 408
Corporate Services	680 791	54 145 096	948 883	83 305	(2 120 000)	53 738 074	177 968	1 771 500	860 379	-	2 809 848	50 928 227
Planning & Development	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-
Community & Social Services	6 963 336	-	145 000	-	-	7 108 336	2 369 483	800	297 890	-	2 668 173	4 440 163
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	290 274	-	45 826	-	-	336 100	117 039	-	64 743	-	181 782	154 318
Sport & Recreation	7 171 908	854	246 283	-	-	7 419 044	2 031 118	620	404 696	-	2 436 434	4 982 610
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	25 977 992	2 981 208	2 658 104	-	(2 081 381)	29 535 923	9 026 466	798 703	3 162 045	-	12 987 214	16 548 709
Waste Water Management	28 514 525	-	11 775 765	967 554	-	41 257 844	4 756 061	-	1 651 532	-	6 407 594	34 850 250
Road Transport	46 930 647	78 923	2 445 825	643 875	-	50 099 270	12 419 112	49 351	2 019 416	-	14 487 879	35 611 390
Water	37 958 898	-	4 214 639	566 581	-	42 740 118	8 850 643	-	1 254 993	-	10 105 636	32 634 482
Electricity	28 784 569	208 797	2 089 861	-	-	31 083 228	5 733 360	48 246	715 074	-	6 496 679	24 586 549
	271 087 638	57 464 878	24 640 256	2 261 315	(4 277 671)	351 176 416	62 752 837	2 405 935	15 935 795	(35 129)	81 059 439	270 116 977

APPENDIX D
BERGRIVIER MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
18 804 445	11 589 313	7 215 132	Executive & Council	20 726 704	15 894 810	4 831 894
35 832 883	8 885 571	26 947 312	Budget & Treasury Office	37 874 884	10 805 376	27 069 508
1 571 282	19 622 645	(18 051 363)	Corporate Services	816 406	17 908 664	(17 092 258)
578 227	2 243 472	(1 665 245)	Planning & Development	580 011	2 387 000	(1 806 989)
-	-	-	Health	-	-	-
796 150	4 778 679	(3 982 529)	Community & Social Services	3 519 270	5 695 822	(2 176 553)
9 156 894	1 212 815	7 944 079	Housing	19 307 592	22 239 270	(2 931 677)
1 514 374	3 990 872	(2 476 498)	Public Safety	116 914	4 712 934	(4 596 020)
2 670 695	9 181 785	(6 511 091)	Sport and Recreation	3 282 238	9 296 467	(6 014 229)
-	-	-	Environmental Protection	-	-	-
11 717 495	12 228 957	(511 462)	Waste Management	11 328 008	14 118 324	(2 790 316)
15 201 685	6 980 738	8 220 948	Waste Water Management	16 512 905	7 044 246	9 468 660
2 995 767	16 314 456	(13 318 689)	Road Transport	3 084 591	17 339 212	(14 254 621)
13 309 502	12 122 401	1 187 101	Water	14 844 819	11 889 812	2 955 007
51 773 694	51 491 644	282 050	Electricity	60 424 292	60 410 191	14 101
165 923 092	160 643 350	5 279 742	Sub Total	192 418 633	199 742 127	(7 323 494)
-	-	-	Less Inter-Departmental Charges	-	-	-
165 923 092	160 643 350	5 279 742	Total	192 418 633	199 742 127	(7 323 494)

APPENDIX E(1)
BERGRIVIER MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	32 976 811	32 850 000	126 811	0.39%	
Government Grants and Subsidies	56 021 628	49 858 797	6 162 831	12.36%	Increase in housing allocation
Public Contributions and Donations	-	-	-	0.00%	
Contributed PPE	-	-	-	0.00%	
Fines	43 894	253 000	(209 106)	-82.65%	Decrease in traffic fines
Third Party Payments	-	-	-	0.00%	
Actuarial gains	-	200 000	(200 000)	-100.00%	No actuarial gains
Dividends received	-	-	-	0.00%	
Property rates - Penalties & Collection Charges	-	-	-	0.00%	
Service Charges	92 893 996	92 196 000	697 996	0.76%	
Water Services Authority Contribution	-	-	-	0.00%	
Rental of Facilities and Equipment	2 760 792	2 586 000	174 792	6.76%	
Interest Earned - External Investments	872 517	1 170 000	(297 483)	-25.43%	Decrease in cash available due to outstanding debt
Interest Earned - Outstanding Receivables	2 546 756	2 600 000	(53 244)	-2.05%	
Licences and Permits	1 670 413	1 660 000	10 413	0.63%	
Agency Services	950 077	1 549 000	(598 923)	-38.67%	Over estimated
Other Income	1 597 164	3 523 000	(1 925 836)	-54.66%	
Unamortised discount - Interest	2 248	-	2 248	0.00%	
Gains on Disposal of PPE	82 338	-	82 338	0.00%	
Reversal of Impairment Loss	-	-	-	0.00%	
Changes in Fair Value	-	-	-	0.00%	
Inventory: Reversal of write-down to Net Realisable Value	-	-	-	0.00%	
Total Revenue	192 418 633	188 445 797	3 972 836	2.11%	
EXPENDITURE					
Executive & Council	15 894 810	11 414 425	4 480 385	39.25%	Depreciation and Amortisation under budgeted
Budget & Treasury Office	10 805 376	8 496 580	2 308 796	27.17%	
Corporate Services	17 908 664	14 976 876	2 931 788	19.58%	Actuarial Loss and Finance Costs on Employee Benefits
Planning & Development	2 387 000	2 679 184	(292 184)	-10.91%	Depreciation and Amortisation
Health	-	-	-	0.00%	
Community & Social Services	5 695 822	6 000 769	(304 947)	-5.08%	
Housing	22 239 270	9 032 128	13 207 142	146.22%	Increase in housing allocation
Public Safety	4 712 934	4 796 616	(83 682)	-1.74%	
Sport & Recreation	9 296 467	8 986 841	309 626	3.45%	
Environmental Protection	-	-	-	0.00%	
Waste Management	14 118 324	11 251 755	2 866 569	25.48%	Finance Costs on Non-Current Provision
Waste Water Management	7 044 246	7 455 700	(411 454)	-5.52%	
Road Transport	17 339 212	18 904 217	(1 565 005)	-8.28%	
Water	11 889 812	13 674 263	(1 784 451)	-13.05%	
Electricity	60 410 191	54 470 003	5 940 188	10.91%	Increase in supply cappacity and eskom account provision
Less: Interdepartmental Charges	-	-	-	0.00%	
Total Expenditure	199 742 127	172 139 357	27 602 770	16.04%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(7 323 494)	16 306 440	(23 629 934)	-144.91%	

APPENDIX E (2)
BERGRIVIER MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2012 Actual	2012 Under Construction	2012 Total Additions	2012 Budget	2012 Variance	2012 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive & Council	68 700	-	68 700	-	68 700		Saving due to decrease in cash flow
Budget & Treasury Office	1 373	-	1 373	150 000	(148 627)	-99.08%	Saving due to decrease in cash flow
Corporate Services	948 883	83 305	1 032 188	3 902 100	(2 869 912)	-73.55%	Saving due to decrease in cash flow
Planning & Development	-	-	-	22 200	(22 200)	-100.00%	Saving due to decrease in cash flow
Health	-	-	-	-	-		
Community & Social Services	145 000	-	145 000	419 000	(274 000)	-65.39%	Saving due to decrease in cash flow
Housing	-	-	-	4 703 119	(4 703 119)	-100.00%	Saving due to decrease in cash flow
Public Safety	45 826	-	45 826	380 000	(334 174)	-87.94%	Saving due to decrease in cash flow
Sport & Recreation	246 283	-	246 283	797 000	(550 717)	-69.10%	Saving due to decrease in cash flow
Environmental Protection	-	-	-	-	-		
Waste Management	2 658 104	-	2 658 104	3 008 950	(350 846)	-11.66%	Saving due to decrease in cash flow
Waste Water Management	11 775 765	967 554	12 743 319	12 250 000	493 319	4.03%	
Road Transport	2 445 825	643 875	3 089 700	3 485 000	(395 300)	-11.34%	Saving due to decrease in cash flow
Water	4 214 639	566 581	4 781 220	7 829 500	(3 048 280)	-38.93%	Saving due to decrease in cash flow
Electricity	2 089 861	-	2 089 861	3 953 000	(1 863 139)	-47.13%	Saving due to decrease in cash flow
Total	24 640 256	2 261 315	26 901 572	40 899 869	(13 998 297)	-34.23%	

APPENDIX F
BERGRIVIER MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2011	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2012	Unspent 30 June 2012 (Creditor)	Unpaid 30 June 2012 (Debtor)
<u>National Government Grants</u>									
Equitable Share	-	17 589 000	-	-	(19 898 000)	-	(2 309 000)	-	(2 309 000)
Finance Management Grant	(57 956)	1 250 000	-	-	(1 210 536)	-	(18 492)	-	(18 492)
Municipal System Improvement Grant	8 365	790 000	-	-	(656 160)	(145 000)	(2 795)	-	(2 795)
Municipal Infrastructure Grant	252 979	9 727 000	-	-	-	(9 979 979)	-	-	-
Expanded Public Works Programme	-	581 000	-	-	(581 000)	-	-	-	-
Total National Government Grants	203 388	29 937 000	-	-	(22 345 696)	(10 124 979)	(2 330 287)	-	(2 330 287)
<u>Provincial Government Grants</u>									
Housing	5 424 867	13 822 478	-	-	(14 893 341)	(4 362 040)	(8 036)	-	(8 036)
Human Settlements Development Grant	-	-	-	-	-	-	-	-	-
CDW Contribution	98 511	78 000	-	-	(136 421)	-	40 090	40 090	-
Housing Consuming Education	42 749	-	-	-	(2 825)	-	39 924	39 924	-
Construction Sidewalks	241 893	-	-	-	(241 893)	-	-	-	-
Library Services	-	3 269 461	-	-	(3 269 461)	-	-	-	-
Total Provincial Government Grants	5 808 020	17 169 939	-	-	(18 543 941)	(4 362 040)	71 978	80 014	(8 036)
<u>District Municipality</u>									
West Coast DM - PIMMS	84 393	-	-	-	(84 393)	-	-	-	-
West Coast DM - LED	46 952	-	-	-	-	-	46 952	46 952	-
Total District Municipality Grants	131 345	-	-	-	(84 393)	-	46 952	46 952	-
<u>Other Grant Providers</u>									
Lotto: Zuurvlakte Sport Field	510 333	-	-	-	(434 852)	-	75 481	75 481	-
Lotto: Plant Trees	154 390	-	-	-	(125 727)	-	28 663	28 663	-
Lotto: Piketberg Sport Field	(670 042)	134 888	-	-	-	-	(535 154)	-	(535 154)
Lotto: Redelinghuys Sport Field	(431 112)	431 112	-	-	-	-	-	-	-
Total Other Grant Providers	(436 431)	566 000	-	-	(560 579)	-	(431 010)	104 144	(535 154)
Total Grants	5 706 322	47 672 939	-	-	(41 534 608)	(14 487 019)	(2 642 367)	231 111	(2 873 477)

The Unspent Grants are cash-backed. The municipality complied with the conditions attached to all grants received. No grants were withheld.